



# 3<sup>rd</sup> European Company Survey



**3** **rd**  
**European  
Company  
Survey**

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## Country codes used in the report

EU28: Current 28 EU Member States

AT	Austria	EE	Estonia	IE	Ireland	PL	Poland
BE	Belgium	EL	Greece	IT	Italy	PT	Portugal
BG	Bulgaria	ES	Spain	LT	Lithuania	RO	Romania
CY	Cyprus	FI	Finland	LU	Luxembourg	SE	Sweden
CZ	Czech Republic	FR	France	LV	Latvia	SK	Slovakia
DE	Germany	HR	Croatia	MT	Malta	SI	Slovenia
DK	Denmark	HU	Hungary	NL	Netherlands	UK	United Kingdom

## Acronyms used in the report

ECS 2013 Third European Company Survey

EWCS European Working Conditions Survey

## Sectoral aggregates used in the analysis

	Label used	NACE Rev. 2 classification	
Market activities	Industry	B	Mining and quarrying
		C	Manufacturing
		D	Electricity, gas, steam and air conditioning supply
		E	Water supply, sewerage, waste management and remediation activities
	Construction	F	Construction
	Commerce and hospitality	G	Wholesale and retail trade, repair of motor vehicles and motorcycles
		I	Accommodation and food service activities
	Transport	H	Transportation and storage
	Financial services	K	Financial and insurance activities
		L	Real estate activities
	Other services	J	Information and communication
		M	Professional, scientific and technical activities
		N	Administrative and support service activities
		R	Arts, entertainment and recreation
		S	Other service activities
Public services	Public administration	O	Public administration and defence; Compulsory social security
	Education	P	Education
	Health	Q	Human health and social work activities



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# Executive summary

## Introduction

This report, based on the 2013 edition of the European Company Survey, provides policymakers and practitioners with comprehensive information on workplace practices in terms of work organisation, human resource management, direct participation and social dialogue. As well as documenting the incidence of these practices, the report shows how practices relate to each other and to the outcomes for companies and workers. The underlying thesis is that implementing certain combinations of workplace practices can have a positive effect on outcomes for both workers and companies.

The ECS 2013 was carried out at a time when Europe was only just starting to recover from the biggest economic crisis to hit the world since the Great Depression of the 1930s. For many companies, therefore, the crisis is likely to have had a major influence on the experiences which they report. While the survey was not specifically designed to capture the effects of the crisis, the findings do need to be interpreted with this context in mind.

## Policy context

The European Union's Europe 2020 strategy aims to address the shortcomings of the European growth model and to create the conditions for 'smart, sustainable and inclusive growth'. The findings of the ECS 2013 are of particular interest for the 'innovation union', 'industrial policy for the globalisation era', and 'agenda for new skills and jobs' flagship initiatives, the success of which depends on what goes on in European workplaces.

The recent debate centres on workplace innovation, which stresses the importance of tapping into the tacit knowledge of employees to achieve 'win-win' outcomes that simultaneously benefit both companies and employees.

Another important factor shaping European workplaces and a key element of the European social model is social dialogue. While it could be argued that social dialogue includes elements of the direct participation that features highly in the debate on workplace innovation, the policy focus is on the two-way communication – consultation and negotiation – at various levels, between representatives of workers and employers.

## Key findings

- Despite the crisis, most managers (84%) and employee representatives (67%) report a 'good' or 'very good' work climate.
- Around 20% of establishments outsource part of their design and development, production, and sales and marketing activities, but full outsourcing is rare.
- Teamwork is practised in 73% of establishments, with 32% of establishments having employees in more than one team at the same time. In 67% of establishments, at least some employees rotate tasks with other employees.
- Autonomous teams exist in 20% of establishments. Employees make decisions about daily tasks jointly with managers in 40% of establishments, and by themselves in an additional 6%.
- The majority of establishments provide paid time off for training (71%) or on-the-job training (73%) for at least some of their employees.
- Establishments increasingly make use of flexible working time arrangements and part-time work: in 2013, 66% of establishments offered flexitime to at least some of their employees and 69% had at least one employee working part time.
- Almost two-thirds of establishments (63%) use some kind of variable pay schemes – and multiple types of variable pay are prevalent.
- The vast majority of establishments make available a variety of instruments to facilitate direct employee participation.
- More than half (56%) of employee representatives report they can use as much of their working time as is necessary to carry out their duties, 32% had received training and 37% have access to external advice. The availability of resources for employee representatives varies greatly between countries.

Overall, five groups of establishments are distinguished based on the combination of workplace practices they have in place:

- *'Interactive and involving'*: joint decision-making on daily tasks, moderately structured internal organisation, limited investment in HRM but extensive practices for direct participation.
- *'Systematic and involving'*: top-down decision-making on daily tasks, highly structured internal organisation, high investment in HRM, extensive practices for direct and indirect participation.

- *'Externally oriented'*: high levels of collaboration and outsourcing, top-down decision-making on daily tasks, moderately structured internal organisation, moderate investment in HRM, and little direct and indirect participation.
- *'Top-down and internally oriented'*: top-down decision-making on daily tasks, little collaboration and outsourcing, highly structured internal organisation, moderate investment in HRM, and moderately supported direct and indirect participation.
- *'Passive management'*: top-down decision-making on daily tasks, moderately structured internal organisation, hardly any HRM, and little direct and indirect participation.

Establishments in the 'Interactive and involving' and 'Systematic and involving' groups score best in terms of establishment performance. Establishments in the 'Interactive and involving' group score best on workplace well-being.

## Policy pointers

- An important characteristic of the establishments that score well in terms of performance and well-being are their extensive practices for direct employee participation, supporting the notion that 'win-win' arrangements need to include measures to enable optimal use of employees' tacit knowledge.
- Achieving 'win-win' outcomes is not guaranteed even when favourable practices are in place. Policymakers and the social partners have a role to play in fostering best practice, raising awareness and implementing initiatives at sectoral level.
- While the majority of establishments provide training for at least some of their employees, 13% of establishments do not provide any training at all. In this context, barriers to the provision of training by companies need to be addressed, paying attention to the ways in which workers learn and develop.

- Variable pay schemes have been a key point of discussion between social partners during the crisis. Only one in ten establishments offers a broad range of schemes. Those establishments that do, score better on both establishment performance and workplace well-being.
- Just over half of establishments have a large number of instruments in place to enable direct participation, a high level of employee involvement as well as positive management attitudes toward employee participation. In line with previous research, it is found that both performance and well-being are highest in this group.
- Social dialogue is functioning well in a large proportion of establishments, but there also is a sizeable group where a lack of resourcing and a lack of trust go hand-in-hand with a high likelihood of industrial action. Both this variability in the functioning of social dialogue and the uneven geographical spread of social dialogue structures across European countries are reasons for concern.

## Methodology

The ECS is a telephone survey of establishments in Europe, involving 24,251 interviews with a management representative and 6,860 interviews with – where available – an employee representative responsible for the establishment. The unit of enquiry for the survey is the establishment. The target population is all establishments with 10 or more employees in all economic sectors except agriculture, activities of households as employers and activities of extraterritorial organisations. The countries covered are all 28 EU Member States, Iceland, the Former Yugoslav Republic of Macedonia, Montenegro and Turkey.

This report focuses on the 28 EU Member States exclusively, and only covers establishments engaged in 'market activities' (thereby excluding the public services: public administration, health, and education).

# Introduction

This report provides an overview of the results of Eurofound's third European Company Survey (ECS 2013) conducted in 2013, which gathered data at establishment level from managers and, where available, employee representatives. The survey investigated workplace practices with regard to work organisation, human resource management practices, employee participation and social dialogue. The objective was to contribute to the understanding of company policies and practices, the development of social dialogue in companies and the identification of so-called 'win-win' arrangements: practices associated with beneficial outcomes for both the establishment and the workforce. The label of 'workplace innovation' has gained currency in recent times – referring to company practices that are not necessarily new but that represent an important shift from the more traditional forms of workplace organisation. Such practices have the potential to contribute to the Europe 2020 objective of 'smart' growth.

While there is a multiplicity of definitions for the concept, the debate on workplace innovation focuses on the combination of investments in human resources, participative forms of work organisation and fostering of direct and indirect employee participation. The ECS 2013 provides a unique empirical basis to underpin the debate by mapping many of the workplace practices identified in the literature and policy debate as relevant indicators of workplace innovation at establishment level.

When the first results of the survey were reported in November 2013, the findings highlighted the incidence of a limited number of individual characteristics and practices in establishments: training, working time arrangements, teamworking, internal organisation and external collaboration, social dialogue structures and forms of employee participation. The present report is based on a richer mining of the extensive survey data. While it first and foremost captures a wide range of individual practices across different establishments, it also looks at the ways in which the practices are combined and at the extent to which the mix of practices deployed by establishments are associated with other characteristics – such as establishment size and sector – and evaluates the outcomes in terms of employee well-being and company financial performance. In taking this approach, the report follows the concern in both academic and policy debate to look beyond individual practices and take into account the fact that both the implementation and consequences are likely to be interrelated.

## About the survey

The ECS is a telephone survey of establishments in Europe, in which interviews are carried out with a management representative (the most senior person in charge of personnel) and – where available – an employee representative responsible for the establishment<sup>1</sup>. The respondent for the employee representative interview is identified through a series of questions in the management questionnaire. These questions were adapted to match the institutional structure of each country. The unit of enquiry for the survey, as in previous waves of the survey, is the establishment. The target population is all establishments with 10 or more employees in all economic sectors except those in the NACE Rev. 2 categories A (agriculture, forestry and fishing), T (activities of the household) and U (activities of extraterritorial organisation and bodies). The countries covered are all 28 EU Member States, as well as Iceland, the former Yugoslav Republic of Macedonia, Montenegro and Turkey.

This report considers the 28 EU Member States only and covers establishments engaged in what are termed here 'market activities' (NACE Rev. 2 categories B, C, D, E, F, G, H, I, J, K, L, M, N, R, S). The report is based on 24,251 management interviews (ranging from 280 in Malta to 1,514 in Italy) and 6,860 employee representative interviews (ranging from 41 in Malta to 563 in Finland).

Eurofound will continue to analyse the survey findings and in the future aims to report on both the non-EU countries covered and on public service activities.

## Earlier Eurofound surveys

Companies, and other organisations that employ workers, can be seen as the other side of the labour market from workers themselves: gathering data from the perspectives of employers (and employee representatives) is an important complement to the data that exists on work and employment from such sources as Eurofound's European Working Conditions Survey (EWCS) and Eurostat's European Union Labour Force Survey (EU LFS). In this context, it must be noted that each of the different actors within companies (production managers, finance managers, CEOs, individual workers) has specific knowledge

<sup>1</sup> See Annex for a full description of the methodology of ECS 2013.

and may hold a valid perspective on company practices. The target respondents in the ECS, as in previous research, were chosen in the light of the topics to be investigated.

Eurofound has conducted survey research in companies on a number of previous occasions. In the 1990s, it launched a project called Employee Participation in Organisational Change (EPOC), which included a postal survey that looked at the nature and extent of direct participation in organisational change.<sup>2</sup> A key finding was the importance of the human factor in organisational success: successful direct participation is dependent on open management, intensified communication, and the creation of a climate of trust in the organisation (Eurofound, 1996). Also in the 1990s, Eurofound conducted an eight-country establishment-level survey on 'New forms of work and activity' which examined such practices as part-time employment, fixed-term contracts and Saturday and evening work (Eurofound, 1994). In design, this survey was very similar to the later European Company Surveys.

The first European Company Survey (2004–2005) covered working time arrangements and work–life balance at establishment level.<sup>3</sup> The second European Company Survey (2009) dealt with flexibility practices and social dialogue practices at establishment level, documenting workplace practices with regard to different forms of flexibility and social dialogue at the workplace. The survey studied different measures of quantitative and qualitative flexibility, both internal and external.

## Background and research questions

The thematic focus of the third ECS (known hereafter as ECS 2013) – work organisation, human resources policies, employee participation and social dialogue – was chosen with a view to understanding how these establishment-level practices might relate, both individually and in combination, to 'win–win' outcomes in terms of both company performance and workers' well-being. This interest is informed by the findings of the EWCS, which show that work organisation, and the way workers are involved in adapting it, is central to companies' capacity to innovate and their performance, as well as being a crucial factor in workers' quality of work and employment (Eurofound 2013a). It is important in the context of the present report to acknowledge, however, that the company actors interviewed in the ECS (managers and employee representatives) do not include employees interviewed in their capacity as employee. Nevertheless, the indicators used to estimate workforce well-being are objective (behaviour-related) and although drawn from a different perspective should be seen as complementary to those available from the perspective of the individual worker in the EWCS.

In preparing the ECS 2013, Eurofound commissioned two background papers to assist the expert group formed for the purposes of advising on questionnaire development. The first paper focused on the issue of high-performance workplaces (Eurofound, 2013b). It looked at two key aspects:

- the organisational division of labour, both internally and externally;
- the employment relationship towards the workers, including elements of pay, working time, work tasks, training and industrial relations.

In high-performance workplace systems or high-involvement workplaces, there is a rethinking of the role of workers in the production process and of the potential contribution that a skilled and motivated workforce can make to performance and innovation (Eurofound, 2011c). Employee participation is viewed as contributing to the competitiveness and capacity for innovation of companies, particularly in times of uncertainty and change for many organisations. Eurofound (2011a) lists the following high-performance work practices in four areas of human resource management (HRM):

- practices that structure work organisation and job design: the use of teams and working time arrangements;
- practices that ensure the high quality of labour input into the production processes: recruitment and selection, training and development, and appraisal and performance management;
- practices that provide opportunities for employees to contribute to organisational decision-making: collective bargaining, staff meetings, and ad hoc working groups;
- practices that provide rewards for performance, such as variable pay.

A related approach to work organisation – which is arguably particularly suited for organisations that operate in highly complex environments – is the 'discretionary learning' form of organisation. This form puts a strong emphasis on competence development and individual and team autonomy. In addition, the organisational structure is much less formalised, as employees are expected to coordinate their work by communicating informally with each other (see Lundvall et al, 2007; Eurofound, 2009).

Eurofound (2009) links these practices to organisational performance based on the ability, motivation and opportunity (AMO) model (Bailey, 1993):

- 'Ability' is used to describe practices that ensure workers are equipped with the right skills to do the job.
- 'Motivation' is used to look at practices that allow workers to use discretionary effort.

<sup>2</sup> For more information on the EPOC survey, visit <http://www.eurofound.europa.eu/areas/participationatwork/epocsurvey.htm>

<sup>3</sup> Full details of all three waves of the ECS are available at <http://www.eurofound.europa.eu/surveys/ecs/index.htm>

- ‘Opportunity’ refers to practices that allow for the involvement of workers in companies’ decision-making processes.

It should be noted, however, that while this framework does not exclude the possibility that employee well-being could be enhanced in high-performance workplaces, this is not the focus, or measure of success, within this approach. Rather, increased productivity is the principal goal.

The second background paper examined the interaction between workplace social dialogue and the direct participation of employees in the company; it also looked at workplace social dialogue as a potential driver of direct employee participation (Eurofound, 2013c), discussing the key question of whether direct and indirect forms of employee participation are mutually supportive. In so doing, it inevitably covered some of the same domains as the first paper (Eurofound, 2013b), insofar as it suggests that through participative forms of work organisation the tacit knowledge of workers can be mobilised to support improvements in efficiency and that this is likely to be supported in a climate of trust and communication.

These ideas are also highlighted in the traditions of sustainable work systems (Docherty et al, 2009) and employee-driven innovation (Høystrup et al, 2012) developed in the Nordic countries. These emphasise organisational innovation (sometimes combined with technological innovation), which focuses on developing human capital and seeks to embed learning and creativity in the organisation of work, thus transferring individual learning to the organisational level.

Against this framework, the key research questions behind the ECS 2013 are the following.

- What is the incidence of practices in terms of work organisation, human resources (HR) policies, forms of employee involvement and social dialogue in European companies, and how do they compare across companies with different characteristics?
- How do different workplace practices bundle together – that is, what types of organisations can be identified with similar sets of workplace practices?
- How are different types of organisation – in relation to their bundles of practices – distributed across countries, sectors and size classes?
- What is the relationship between different types and structures of workplace practices and establishment performance and workforce well-being?

## Policy background

The European Union policy agenda has addressed issues of workplace practice over many years, in the context of the European Employment Strategy and some of the related policy guidelines, and in the encouragement of social dialogue. One strand of this is the European legislation underpinning the rights of workers to be informed and consulted about developments in the company where they work. In addition to the general requirement (subject to size thresholds) in the 2002 Information and Consultation Directive (European Parliament and Council of the European Union, 2002), there are obligations stemming from earlier legislation to inform and consult employees or their representatives in such specific circumstances as insolvency or mass dismissals. The aim of Community legislation has been to ensure that employees are involved in the affairs of the undertaking employing them and in decisions that affect them. This reflects the objective of the EU and Member States to promote social dialogue between management and labour. The preamble to the Information and Consultation Directive underlines the need to anticipate change and

*to strengthen dialogue and promote mutual trust within undertakings in order to improve risk anticipation, make work organisation more flexible and facilitate employee access to training within the undertaking while maintaining security, make employees aware of adaptation needs, increase employees’ availability to undertake measures and activities to increase their employability, promote employee involvement in the operation and future of the undertaking and increase its competitiveness*

(European Parliament and Council of the European Union, 2002)

This raises the question as to the different forms that social dialogue can take. As conceptualised in the analysis of the ECS 2009, social dialogue encompasses two-way communication, consultation and negotiation (Eurofound 2012a). While it thus includes elements of direct participation, the central focus is the dialogue between management and employee representatives, taking place at a variety of levels. This dialogue is seen as a key feature of the European social model, and as critical to the ambition of combining economic efficiency and the quality of work. Here, the wider context of changes in the industrial relations system is an important backdrop to the establishment-level experience reported in the ECS 2013. In a 2013 report on the impact of the crisis on industrial relations, Eurofound notes the interrelation of trends in industrial relations systems (for example, lower union density and reduced coverage of collective bargaining) with responses to the crisis – first to ‘reactivate’ social dialogue to address the problems thrown up, and later to take measures to supersede



or override it (Eurofound, 2013d). This is taken up again when Eurofound examines changes in wage-setting mechanisms and their origins (Eurofound, 2014). In some countries at least, it is clear that the industrial relations landscape in which workplace social dialogue sits has been altered significantly in recent years, not only by the persistence of long-standing trends, but also by policy measures that limit the previously influential sector-level collective bargaining system in favour of local and company-level wage-setting, with or without trade union involvement.

Workplace issues have, of course, also been reflected in non-legislative initiatives. In 1997, the European Commission launched a Green Paper on work organisation which highlighted the policy measures needed to create the necessary conditions for reconciling security for workers with the flexibility needed by companies (European Commission, 1997).

The Commission also proposed a reflection on the creation of a partnership for new ways of organising work in which all actors would have a role to play, including government, social partners and companies.

Following a process of consultation and debate on the Green Paper, in 1998 the Commission issued a communication entitled *Modernising the organisation of work – A positive approach to change*, which called on the social partners to take the lead in modernising work (European Commission, 1998). Still in 1998, it went on to create the European Work Organisation Network (EWON), aimed at developing new forms of work organisation in the EU, as part of the follow-up to the Green Paper.

Spanning the years 2004–2010, the European WORK-IN-NET project aimed to ‘increase the awareness of the importance of the field of work-oriented innovation ... and the potentials of a high-road way of thinking’ with regard to work organisation (Laev and Zettel, 2009).<sup>4</sup> This was complemented by a series of research projects and funding programmes in a number of Member States – directed towards researchers, social partners and companies – which looked at the importance of work organisation and employee participation.

In more recent times, similar topics have been debated in the context of ‘workplace innovation’, a somewhat elusive concept. According to the European Commission (2014a), it is a generic term used to describe

*innovations in the way enterprises are structured, the way they manage their human resources, the way internal decision-making*

*and innovation processes are devised, the way relationships with clients or suppliers are organised or the way the work environment and the internal support systems are designed.*

Following the lead of the Europe 2020 Strategy, which sees innovation as one of the paths towards smart, sustainable and inclusive growth, other stakeholders also framed discussion in these terms. In 2011, the European Economic and Social Committee (EESC) launched its own opinion on innovative workplaces as a source of productivity and quality jobs (EESC, 2011), in which it stated that it is the task of the EU to ‘support all Member States and companies in their efforts to increase workplace innovation’, and recommended that the Commission and the Member States ‘should reflect seriously on what kinds of policies and work organisation have been effective in enhancing innovativeness through investment in skills’.

The reinforced industrial policy adopted by the European Commission on 10 October 2012 explicitly mentions workplace innovation: ‘the Commission will promote the transformation of workplaces that stimulate new forms of “active jobs” and encourage the development of new skills, including e-skills’ (European Commission, 2012).

As a specific follow up, the European Commission established the European Workplace Innovation Network (EUWIN). EUWIN is a Europe-wide learning network, launched to stimulate workplace innovation in Europe.

So, while policy discussion on workplace innovation has ranged across a very broad set of topics, the ECS has addressed the issue in relation to the specific issues of work organisation, HR practices and different forms of employee involvement. This provides an empirical basis to explore how practices are bundled together in the organisation, and which combinations of practices are associated with positive outcomes for employees and for the company. It is hoped that this raises awareness among social partners, national authorities and EU institutions, as well as HR managers, about the role of these practices and their potential contribution, and that it facilitates diffusion of knowledge that supports company actors as they address the challenges of workplace change.

<sup>4</sup> This was a European-wide research project supported within the ERA-NET scheme under the Sixth Framework Programme of the European Commission; more information is available at <http://www.workinnet.org/>

## Structure of the report

The figure on p. 15 illustrates the structure of the report, showing the interlinkages between chapters and sections, as well as the research approach taken in each section.

The first section – ‘Establishments in Europe after the crisis’ – consists of two chapters. Chapter 1 describes the structural characteristics of the establishments covered in the survey, as well as some characteristics of their workforce. It also documents some of the changes that were introduced in establishments in the three years preceding the survey. Chapter 2 describes the situation in establishments in terms of the work climate, human resources issues, and the performance of the establishment – financially, but also in terms of productivity and production volume. In this chapter, the two outcome measures – workplace well-being and establishment performance – are introduced.

This first section is followed by three sections addressing practices in the areas of, respectively, work organisation, human resource management practices and employee participation and social dialogue.

The second section – ‘Work organisation’ – comprises three chapters: Chapter 3 on collaboration and outsourcing; Chapter 4 on internal organisation and information management; and Chapter 5 on decision-making capacity.

The third section – ‘Human resource management’ – comprises four chapters: Chapter 6 on recruitment and career development; Chapter 7 on training; Chapter 8 on working time flexibility; and Chapter 9 on variable pay schemes.

The fourth section – ‘Employee participation and social dialogue’ – consists of two chapters: Chapter 10 on direct employee participation; and Chapter 11 on workplace social dialogue.

The same approach is followed in each of the chapters in sections 2, 3 and 4. The chapters start by showing the incidence of individual practices across establishments, emphasising – where appropriate – differences across establishment size, sector of activity and country. Subsequently, each chapter shows how practices are combined, identifying types of establishments based on the combinations of practice they have adopted using latent class analysis.<sup>5</sup> The structural characteristics of these types of establishments are then described, as are the scores of each of the establishment types on the indicators of establishment performance and workplace well-being.

In the final section, the analysis of the previous chapters is taken a step further: by identifying a comprehensive overall classification of establishments, the single chapter in the section (Chapter 12) shows how practices across these areas relate to each other. For this purpose, a latent class analysis was carried out using the results of typologies developed in the previous chapters.<sup>6</sup> The chapter then goes on to examine the structural characteristics of the establishments in each of the overarching groups and the differences between the groups in terms of establishment performance and workplace well-being.

The report concludes with implications for policy and practice and an outline of further work on the survey.

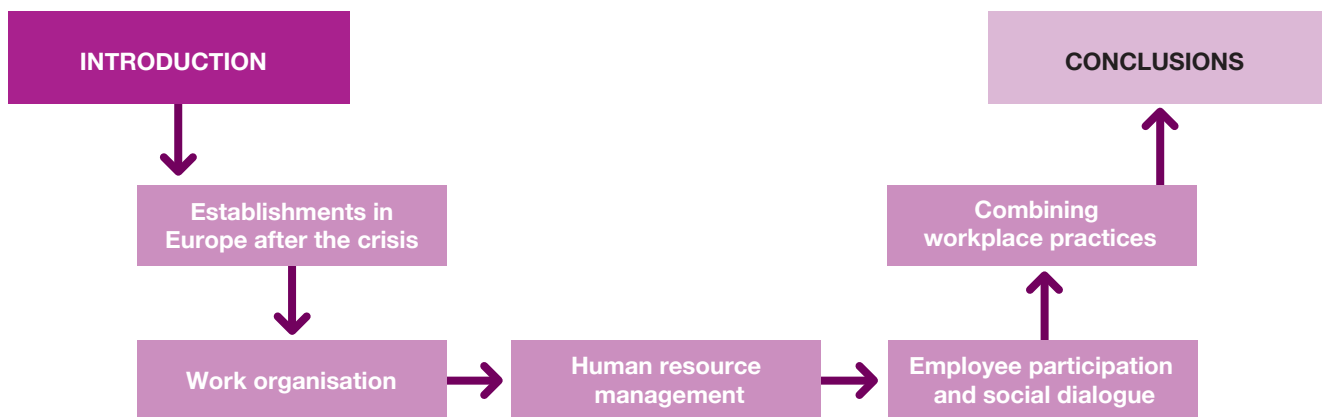
<sup>5</sup> For a more detailed description of latent class analysis, see Box 2 in Chapter 3 or the description of latent class analysis in the Annex on the survey methodology.

<sup>6</sup> The typology based on social dialogue practices had to be excluded because it is largely based on questions from the employee representative interview, which was carried out in only a third of establishments. Instead, a variable was included to indicate the presence of an official structure for employee representation at the establishment.

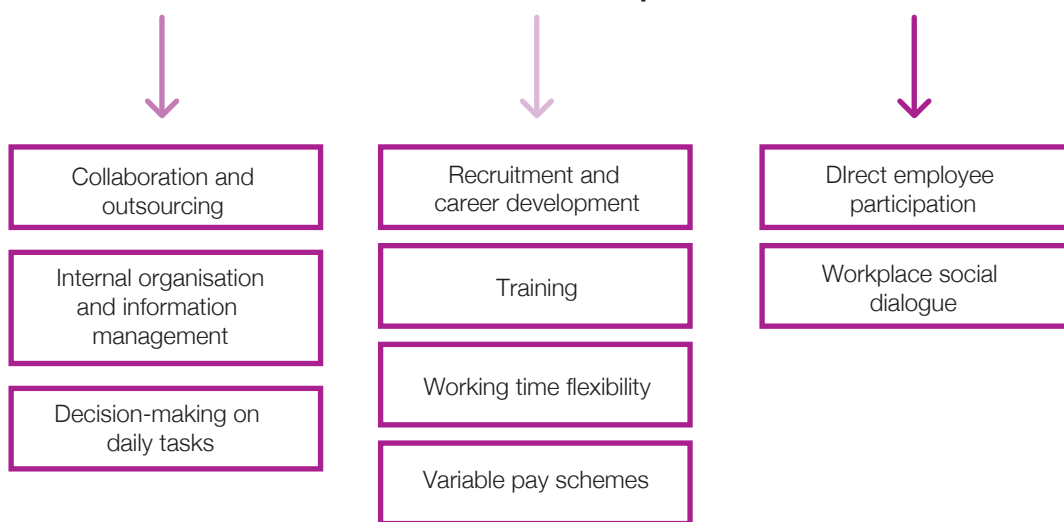




### Overall chapter structure of the report



### Structure of the chapters



### Structure of the sections

**Table 1: Profiles of establishment types – incidence of daily activities**

Establishment type	Highly automated	Lowly automated	Non-automated
Highly automated	100	0	0
Lowly automated	0	100	0
Non-automated	0	0	100

**Section titles:**

- Incidence of individual practices
- Identification of establishment types
- Establishment types across structural variables
- Outcomes of establishment types

**Bar charts:**

- Financial situation:** Shows trends for Improved/increased, Remained about the same, and Deteriorated/decreased.
- Labour productivity:** Shows trends for Improved/increased, Remained about the same, and Deteriorated/decreased.
- Amount of goods and services:** Shows trends for Improved/increased, Remained about the same, and Deteriorated/decreased.

**Bubble chart:** Workplace working (Y-axis) vs Establishment performance (X-axis). Legend: Extensive (dark purple), Moderate (medium purple), Limited (light purple).

**84%**

**MANAGERS**



**67%**

**EMPLOYEE  
REPRESENTATIVES**



**Despite the crisis,  
most managers  
(84%) and employee  
representatives (67%)  
report a 'good' or 'very  
good' work climate**

# Establishments in Europe after the crisis



The findings in this report need to be interpreted in the light of the Great Recession that hit the world in the years following 2007. The exact start and end of the recession varies from country to country, as does the extent to which it has had an impact on the day-to-day functioning of people and companies. However, many companies in Europe will have been faced with contracting markets on the one hand and a labour surplus on the other.

This section comprises two chapters. Chapter 1 shows how the establishments in the ECS 2013 are distributed across

a number of background characteristics, such as establishment size and sector of activity. It goes on to describe some characteristics of the workforce in these establishments as well as some changes that took place in the establishments in the years preceding the survey. Chapter 2 describes the variation with regard to outcome measures for employees and establishments, looking at levels of, and changes in, the work climate and in the performance of the establishment, as well as at difficulties with regard to human resources – such as absenteeism and staff retention – that can be seen as indicators of well-being at the workplace.

## Box 1: Methodological considerations

### Causality

Cross-sectional surveys such as the ECS 2013 provide a snapshot of issues at a certain point in time. This allows only for the investigation of the existence of associations between different (sets of) characteristics. Since many of the substantive and structural characteristics of establishments are interrelated, it is important to be cautious when interpreting the associations between variables. In particular, it needs to be kept in mind that association does not necessarily imply causation and that any causal inferences made in this report are of a hypothetical nature for which some, limited empirical support is found in ECS data. In this regard, it should also be stressed that, although it is in accordance with related theoretical frameworks and research practice, the term ‘outcomes’ is used only tentatively for the indicators of establishment performance and workplace well-being. Establishment performance and workplace well-being can also be determinants rather than results of the presence of the various workplace practices covered in this report. It is, therefore, important to bear in mind that this report is not aiming to identify causal mechanisms but rather to map associations between different workplace characteristics.

### Possible response biases

Although questionnaire-based surveys are a versatile and popular tool for collecting information on topics that would otherwise be hard to measure, they have one obvious shortcoming: the ability and willingness of persons answering the questionnaire to provide answers that reflect the true state of the phenomena that are intended to be measured. Respondents can misunderstand questions; they can be misinformed or forgetful; or they can intentionally choose to ignore some facts or alter their answer. They are also prone to various response tendencies such as choosing extreme options that indicate agreement with a statement in question, irrespective of their true opinion. Furthermore, they are sensitive to social pressures that might induce them to give an answer that they feel is desirable, rather than one that best reflects reality. Another issue common to all cross-cultural surveys is the question of comparability of cross-cultural data – the degree to which respondents from different national and cultural backgrounds understand and respond to questions in the same way. The design of the ECS is geared towards optimising each questionnaire item for the cultural setting in which the question is being asked; however, despite all these efforts, the reader of this report will need to keep in mind that answering patterns will still be affected by cultural differences in the perception and understanding of the survey questions and answering categories.

### Significance testing

The authors have tried to give more importance to the size of actual effects (differences or associations) rather than to solely rely on the statistical significance tests, since these tests, in situations with large sample sizes, as is the case here, tend to overemphasise even the trivial differences. Consequently, whenever **differences** are reported in the incidence of certain practices across different categories of structural variables (establishment size, economic sector and country) these differences are **statistically significant**. However, smaller differences that are not mentioned might be statistically significant but these were not considered worth emphasising. In line with this, the authors only present breakdowns of individual practices by those structural variables where the incidence of these practices varies substantially across the different categories.

With regard to the comparison of the average scores of different establishment types on the indicators of establishment performance and workplace well-being, the significance of differences between types was checked while controlling for the effects of the main structural variables – establishment size, sector of economic activity and country. When differences between establishment types on the two outcome variables are mentioned, they are statistically significant after controlling for the three structural variables.

# CHAPTER 1

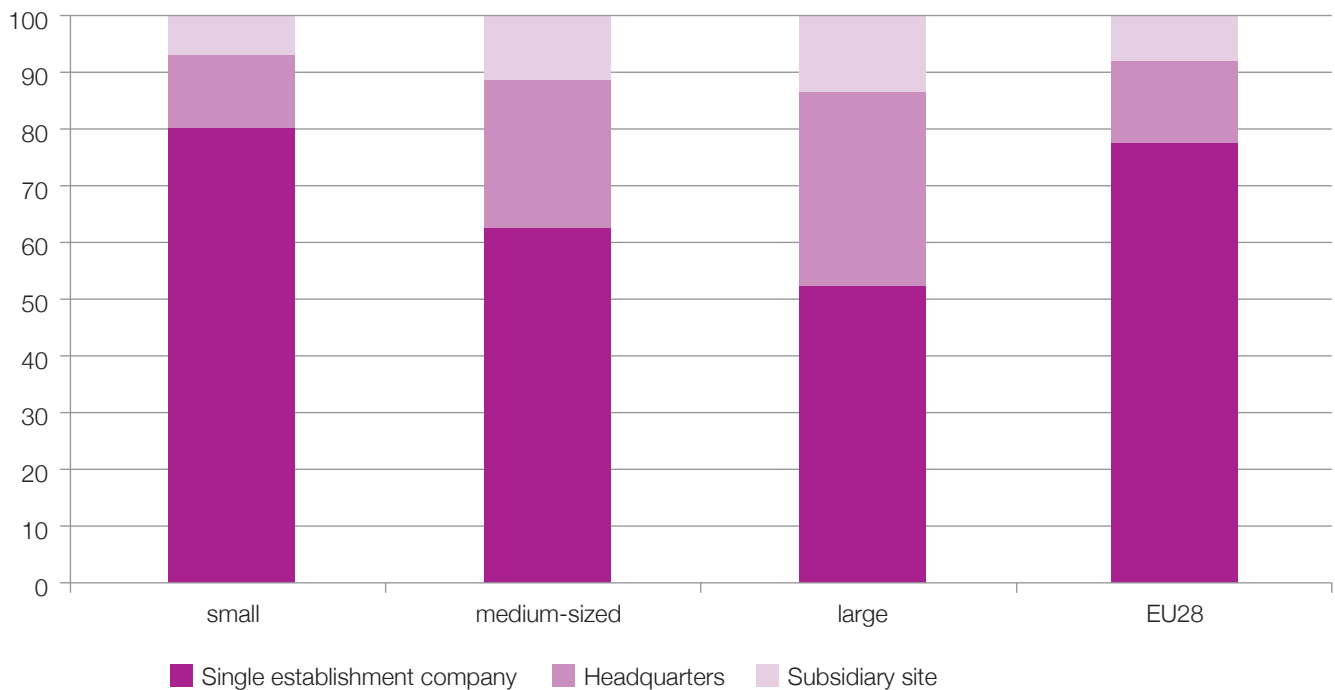
## Organisational characteristics and organisational change

This chapter first outlines the structural characteristics of the surveyed establishments and their employees, starting with the establishment size and type, economic sector and years of operation. This is followed by a brief description of the main socio-demographic characteristics of employees such as gender, age and the level of education. Finally, the chapter covers the occurrence and frequency of changes in a number of domains.

### Establishment size and type

In accordance with the definition used in the European Statistical System, establishments with 10–49 employees are labelled ‘small’, establishments with 50–249 employees are labelled ‘medium-sized’, and establishments with 250 workers or more are labelled ‘large’.<sup>7</sup> Small establishments constitute 85% of the sample, medium-sized establishments 14% and large establishments 2%. This is important to keep in mind when reading the report, as it implies that any aggregated results will be dominated by the findings for small establishments. A clear example of this is Figure 1, which shows the distribution of establishments in each size class in terms of establishment

**Figure 1: Establishment type, by size (%)**



Source: ECS 2013 – Management questionnaire.

<sup>7</sup> Micro-establishments (less than 10 employees) are not included in the ECS 2013.

type, and it becomes apparent that the distribution of the EU28 as a whole is very similar to that of small establishments.

The survey distinguishes between single-establishment companies (single independent companies with no further branch offices, production units or sales units) and multi-establishment companies (companies that comprise a number of establishments at different locations). In the latter case, 'headquarters' and 'subsidiary sites' are differentiated.<sup>8</sup>

Overall, 77% of the establishments in the survey are single-establishment companies, while 23% belong to multi-establishment organisations (15% being headquarters and the remaining 8% subsidiary sites). Figure 1 shows that small establishments are more likely to be single-establishment companies, whereas large and medium-sized establishments are more likely to be part of multi-establishment companies.

## Economic sectors

In order to simplify presentation, sectors of economic activity have been collapsed into six broad categories, following the logic applied in the overview report of the fifth EWCS (Eurofound, 2012b). These categories are: industry, construction, commerce and hospitality, transport, financial services, and other services (see the table showing sectoral categories used in the analysis which figures at the beginning of the report).

There is a considerable difference in the prevalence of different sectors across the EU Member States (Figure 2). The industry sector is the largest in Italy (comprising 42% of establishments) and Slovenia (37% of establishments) and the smallest in Luxembourg (11%) and the UK (14%). Luxembourg and Croatia have the highest proportion of establishments in the construction sector (18% and 17% respectively) while Malta and UK have the lowest (less than 5%). Commerce and hospitality comprises around half of establishments in Greece (49%) and around 40% in Ireland, UK and Cyprus; in contrast,

only around 20% of establishments belong to this sector in Sweden, Slovenia and Poland. Around 9% of establishments in Latvia, Finland, Belgium and Lithuania belong to the transport sector, more than twice as many compared to Poland, Slovenia and Cyprus (around 4%). The financial services sector is largest in Poland (10%), Luxembourg (8%) and Sweden (8%) and smallest in Romania, Greece and Portugal (around 1%). Finally, the other services sector comprises around one third of establishments in Sweden, Luxembourg, the Netherlands and Denmark, but only around 10% in Greece and around 14% in Portugal, Romania and Italy.

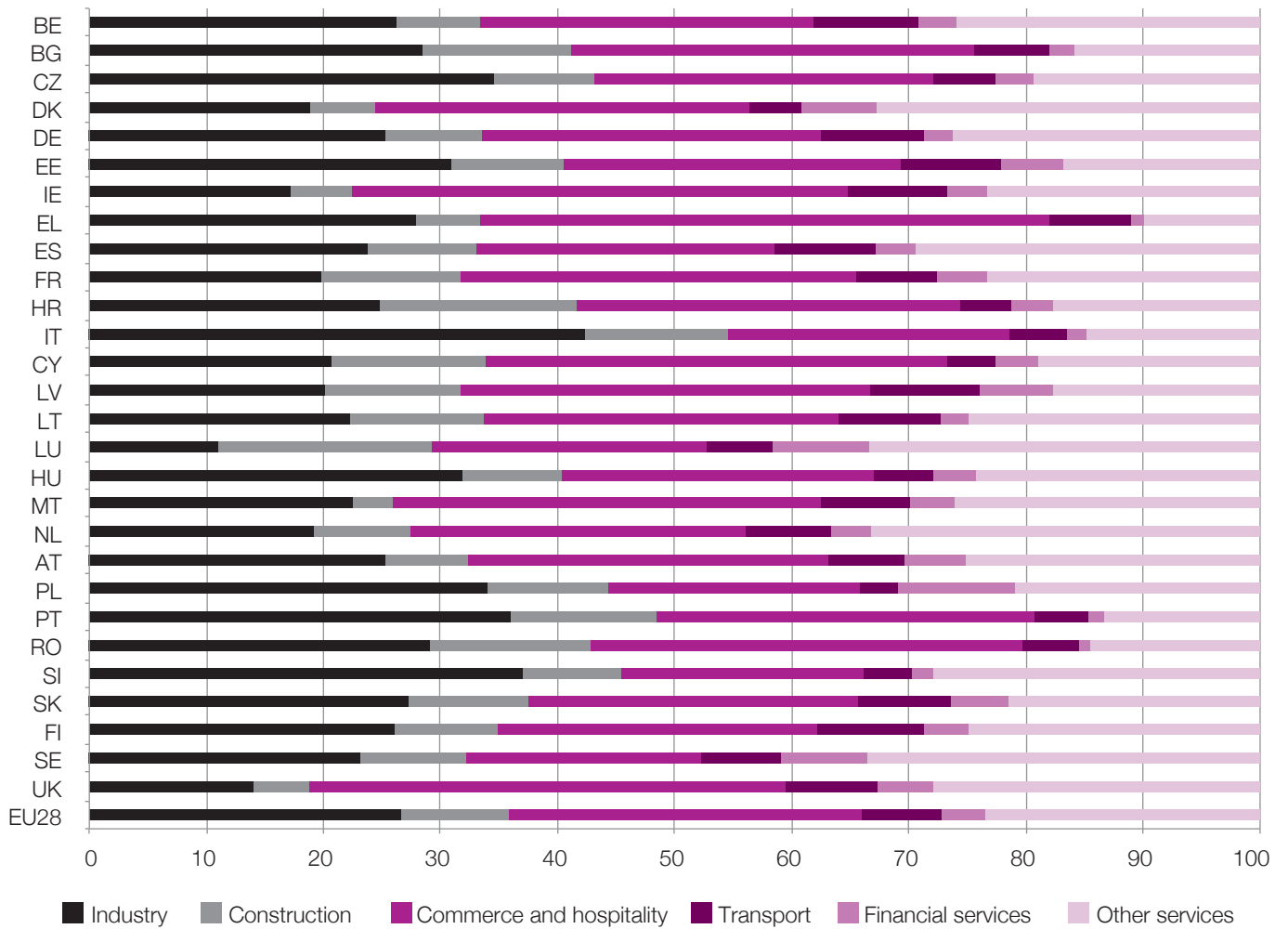
## Years of operation

Companies typically start small, and tend to grow over time – provided they survive. This is reflected in the 'age' distribution of establishments in the ECS 2013. As expected, the proportion of younger companies is highest among small establishments while the proportion of older companies is highest among the large establishments (Figure 3).

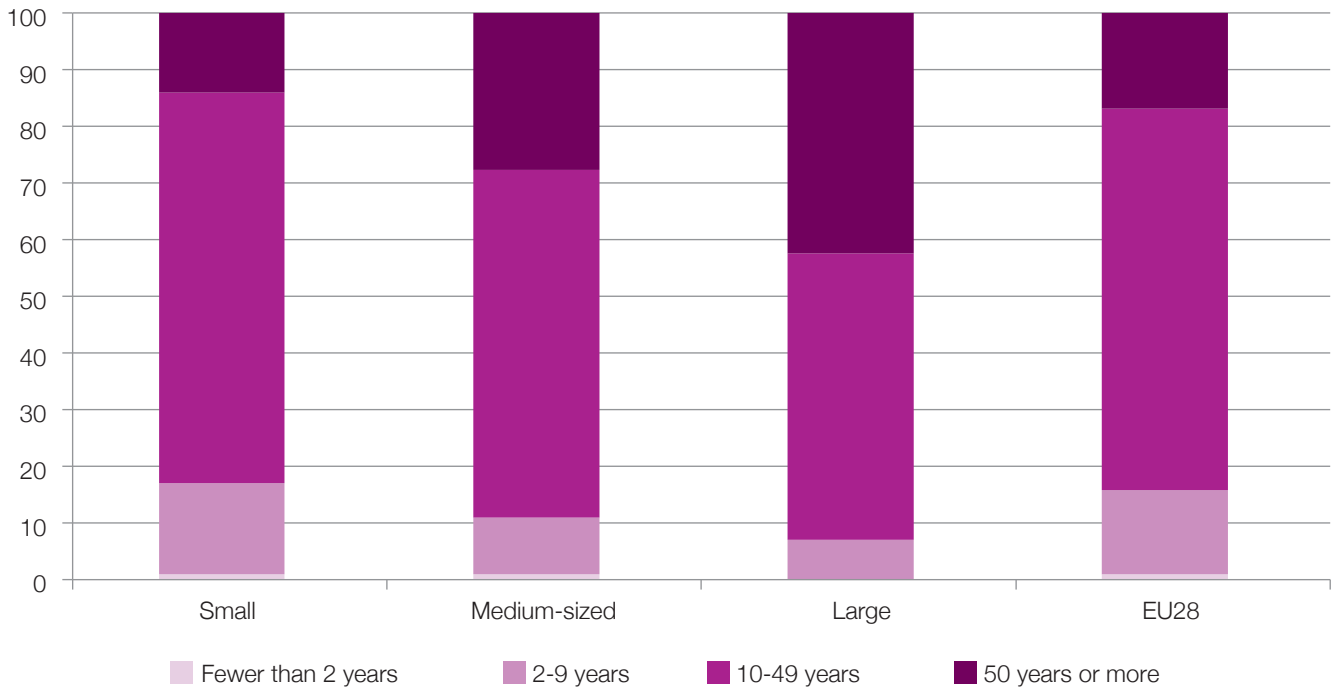
The proportion of establishments in the sample that had been established in the two years preceding the survey is less than 1%, while 15% had been in operation for between two and nine years. A large proportion of establishments (67%) had been established in the previous 10–49 years. And another 17% had been in operation for more than 50 years. Young companies are much more likely to be below the threshold of 10 employees and they are also somewhat less likely to be included on registers; hence, it would not be expected that they would be included in the survey.

<sup>8</sup> The distribution of these establishment types is likely to be affected by the design of the survey. In countries where a company-level register was used, the screening procedure – despite concerted monitoring efforts – is likely to have resulted in an overrepresentation of headquarters. In countries where an establishment-level register is used, 'headquarters' are also likely to have been slightly overrepresented on the registers.

**Figure 2: Sector of economic activity, by country (%)**



Source: ECS 2013 – Management questionnaire.

**Figure 3: Years of operation by establishment size (%)**

Source: ECS 2013 – Management questionnaire.

## Characteristics of the workforce

The ECS 2013 captured (aspects of) three key structural characteristics of the workforce in each of the establishments: sex, age and education. More specifically, it asked about the proportion of workers in the following groups: women; those aged over 50 years; and those holding a university degree.

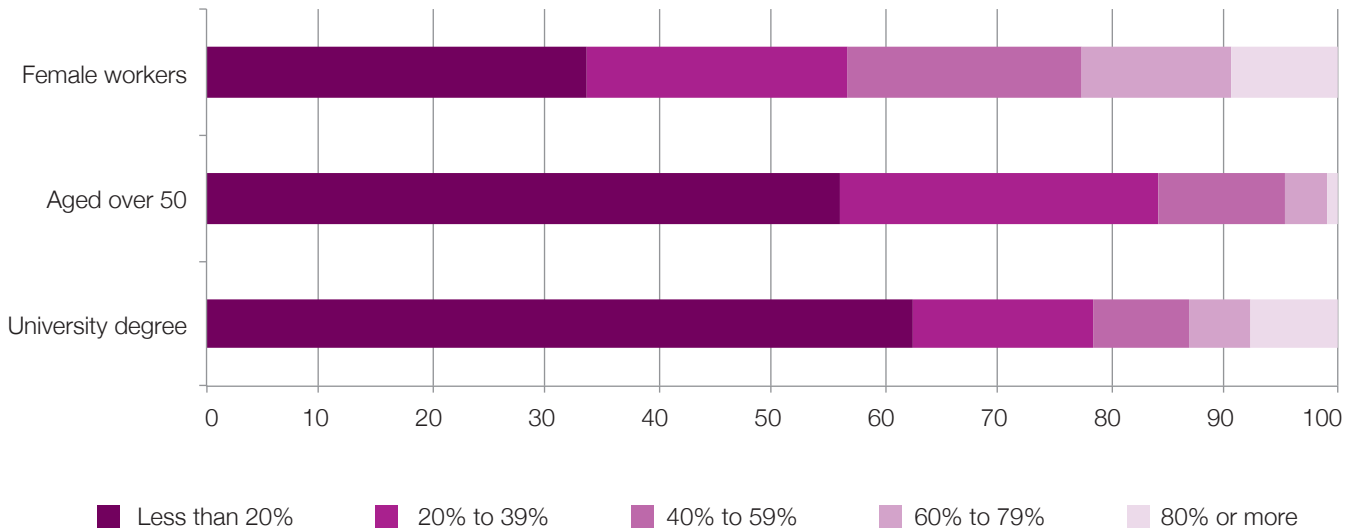
The results show great variation between Member States. The composition of the workforce appears to be affected by national legal frameworks (including welfare regulation) and the availability of incentives to recruit specific groups of workers. In addition, the composition of the workforce is influenced by structural characteristics, such as the sector of economic activity and the size of the establishment.

## Men and women

Gender-imbalanced workforces are common: 57% of all establishments reported that the proportion of female workers was below 40% while another 23% reported that it was 60% or over (Figure 4). Large establishments are more likely to be gender-balanced than small and medium-sized establishments: in 29% of large establishments the proportion of women in the workforce is between 40% and 59%, compared to 20% of small establishments and 25% of medium-sized establishments. Differences between sectors are much more pronounced, with 39% of establishments in financial services being gender-balanced compared to only 14% in transport and 5% in construction. The UK, Denmark and Ireland have the highest proportions of gender-balanced establishments (over 25%) and Luxembourg and Estonia the lowest (less than 15%).



**Figure 4: Percentage of women, older workers, and workers with a university degree (%)**



Source: ECS 2013 – Management questionnaire.

### Older workers

According to the EU Labour Force Survey, in 2013 in market services sectors, 24% of the EU28 workforce was aged over 50 (Eurostat, 2014). The ECS 2013 finds that older workers are not distributed equally across establishments. In more than half the establishments (56%) older workers are underrepresented (that is, the proportion of workers aged 50 or over does not exceed 20%). Older workers are most likely to be underrepresented in establishments in the commerce and hospitality sector (where they are underrepresented in 63% of establishments), construction (in 58% of establishments), and the other services sector (57%).

### Level of education

The EU Labour Force Survey shows that, in 2013, 32% of the workforce had obtained a tertiary level of education – a

university degree (Eurostat, 2014). The ECS 2013 asks a question about the proportion of workers with a university degree; this is slightly more specific and therefore likely to show a somewhat lower incidence. The survey found that workers with a university degree are not evenly distributed across establishments. Workers with a university degree are underrepresented in 63% of establishments: in these, between 0% and 19% of the workforce had a university degree. They are overrepresented in 21% of establishments, where more than 40% of workers had a university degree, and in 8% of establishments, where more than 80% of employees had a university degree. These establishments where at least 80% of employees have a university degree are most prevalent in the financial and other services sectors (15% and 21% of establishments, respectively). In contrast, establishments in which less than 20% of employees hold a university degree are most prevalent in industry (75%), construction (77%) and commerce and hospitality (68%).

## Organisational change

### Employment levels

Against the backdrop of the crisis, it is not surprising that managers in 25% of establishments reported a decrease in employment. Nevertheless, a similar proportion of managers (28%) reported an increase. Employment growth is more frequently reported in large establishments (38%) and medium-sized establishments (36%) than in small ones (27%). Decreases in employment were reported most in the industry and construction sectors, and increases most in the transport and other services sectors. Country differences closely reflect the extent to which countries were hit by the crisis: decreases in employment were reported in more than 40% of establishments in Cyprus, Greece and Spain and in less than 15% of establishments in the UK, Luxembourg and Germany. Increases in employment were reported in over 40% of establishments in Sweden and Austria and in less than 20% of establishments in Cyprus, Poland, Greece, Slovakia, Spain and Portugal.

### Change in ownership

Only a small proportion of establishments (8%) reported a change in the ownership since the beginning of 2010 that had substantially affected the establishment. At national level, however, there is considerable variation, with changes in ownership being most prevalent in Luxembourg (28%) and least prevalent in Malta and Greece (4%).

### Introduction of innovations

The ECS 2013 included a set of questions that capture whether or not establishments had recently introduced changes in the following four domains:

- the introduction of new or significantly improved marketing methods (or methods of communication activities to the public for public sector establishments);
- the introduction of new or significantly changed products or services;
- the introduction of new or significantly changed processes;
- the introduction of any organisational change (such as new business practices, new methods of organising work).

The variables are based on the conceptualisation of technological innovation as is outlined in the Oslo Manual (OECD/Eurostat, 2005), and distinguishes between product, process and marketing innovation – which are clearly outputs of the innovation processes – and ‘organisational change’ which can be thought of as an intermediate step in reaching innovation goals. The novelty aspect of innovation is defined as ‘new to the firm’, rather than ‘new to the market’ or completely new.

This also implies that an innovation does not need to be developed by the establishment itself but that it can be acquired by the process of diffusion from other companies or institutions.<sup>9</sup>

Around one-third of establishments had introduced new or significantly improved marketing methods, processes and organisational change in the three years preceding the survey (34%, 36% and 32% respectively). A slightly larger proportion had significantly changed their products or services (41%).

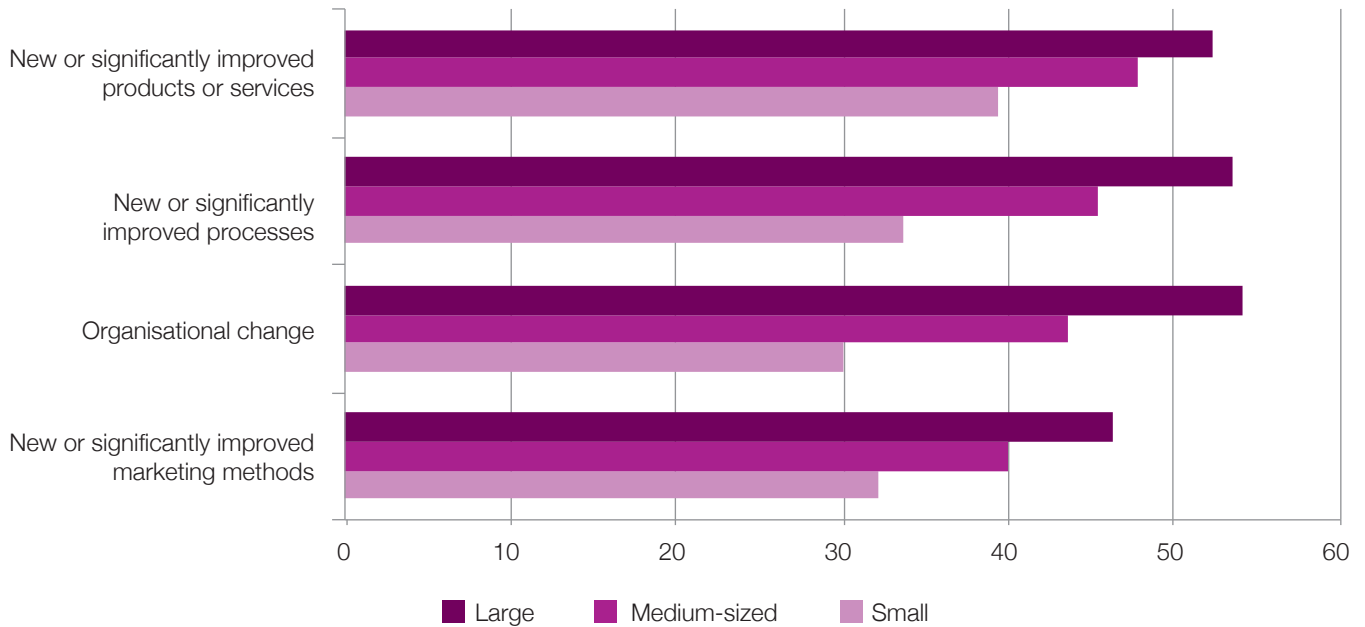
Apart from the obvious positive association between the prevalence of each of these ‘innovations’ and establishment size, there is a difference in the pattern between establishments of different sizes (Figure 5). In large establishments, organisational change is reported most frequently, closely followed by new processes and new products; new marketing methods are reported least frequently. Differences between the different ‘innovations’ are least pronounced in medium-sized establishments, where new products/services are most prevalent, followed by new processes, organisational change and finally new marketing methods. In small establishments, again, new products/services are most prevalent, followed by new processes and new marketing methods, but here organisational change is least prevalent.

Figure 6 shows that sectors vary in terms of the type of ‘innovations’ that are most prevalent. The introduction of new products or services is reported most in commerce and hospitality, closely followed by the industry and other services sector. New processes are most prevalent in industry, followed by the financial services and other services sectors. Organisational change is reported most in financial services, followed – quite some way behind – by the other services sector, and the industry and commerce and hospitality sectors. Finally, new marketing methods are most prevalent in commerce and hospitality, followed by the other services and financial services sectors. Managers in the transport and construction sectors are consistently less likely to report changes than managers in the other sectors.

The prevalence of ‘innovations’ also differs substantially between countries, and the level of variation is greater for some changes than for others. The proportion of establishments reporting that they had introduced new or significantly improved marketing methods is lowest in Hungary (16%), Estonia (21%) and the Czech Republic (also 21%), and highest in Luxembourg, Malta and Romania (50% in all three countries). Organisational change is reported least in Hungary (20%), Slovakia (20%) and Germany (21%), and reported most in Austria (46%), Sweden (56%) and Denmark (60%). The introduction of new or significantly improved processes is reported least frequently in the Czech Republic (21%), Croatia (23%) and Hungary (27%) and most frequently in Portugal (47%), Greece (51%) and Denmark (52%). Differences are the smallest for

<sup>9</sup> Designated surveys, such as the Community Innovation Survey (CIS), capture innovation in a much more detailed and comprehensive way, explicitly distinguishing between developments that are completely new, new to the market or only new to the firm.

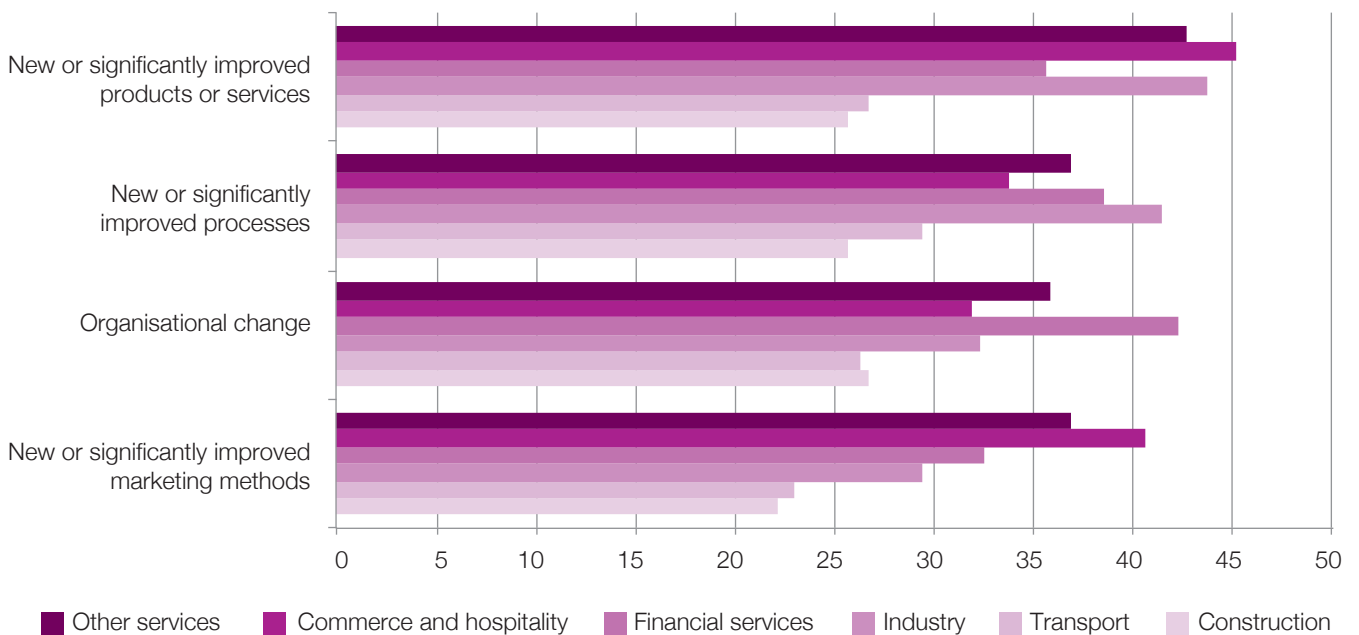
**Figure 5: Introduction of new or improved products, processes and marketing methods, and organisational change, by establishment size (%)**



*Note: Changes are reported for the three years prior to the survey.*

*Source: ECS 2013 – Management questionnaire.*

**Figure 6: Introduction of new or improved products, processes and marketing methods, and organisational change, by sector (%)**



*Note: ECS 2013 – Management questionnaire*

the introduction of new or significantly improved products and services; this is reported least in the Czech Republic (31%), Slovakia and Croatia (32% in both countries) and most in Portugal (51%), Greece (54%) and, again, Denmark (55%). Based on these findings, it appears that these measures capture changes of a different nature in different countries, with high levels of change being reported in Denmark (which is known to be a dynamic economy with a strong focus on innovation, but which has not been hit particularly hard by the Great Recession) but also in Portugal and Greece (where changes are likely to have occurred in response to the strong impact of the recession on the economy).

### Organisational changes

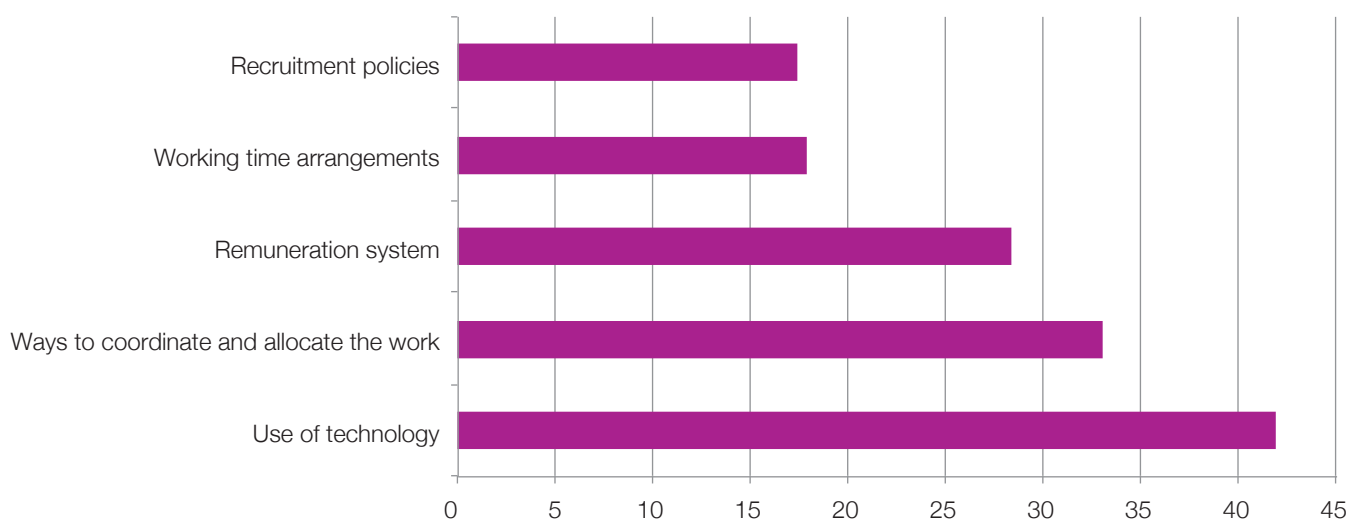
In order to get some more insight into the type of organisational changes that had taken place managers were asked whether any changes had been made in the three years preceding the survey in five areas: the remuneration system; the use of

technology; the ways in which work is coordinated and allocated to employees; recruitment policies; and working time arrangements (Figure 7).

The most frequently reported change is in the use of technology (reported in 42% of establishments). This was followed by changes in how work is coordinated and allocated (33%) and in the remuneration system (28%). Changes in working time arrangements (18%) and in recruitment systems (17%) were less frequently reported.

These organisational changes do not appear to be strongly associated with changes in the number of hierarchical levels. The number of hierarchical levels had remained the same since the beginning of 2010 in the vast majority of establishments (90%). Managers in 6% of establishments reported an increase in the number of hierarchical levels, while managers in 4% of establishments reported a decrease.

**Figure 7: Organisational changes in the three years prior to the survey (%)**



Source: ECS 2013 – Management questionnaire.

## CHAPTER 2

# Workplace well-being and establishment performance

The ECS 2013 looked into a set of characteristics that can be broadly related to the outcomes at the employee and the establishment levels. The former refer to indicators of work climate and of well-being at the workplace, while the latter are intended to measure the performance – in economic terms – of establishments. Based on the first set of indicators, an index for the general level of workplace well-being is constructed. The various performance measures are combined into an indicator of establishment performance. Both indicators are described in this chapter and will be used throughout the report to compare different sets of workplace practices on relevant outcomes for employees (workplace well-being) and for establishments (performance).

### Workplace well-being

Workplace well-being can be defined as 'a summative concept that characterises the quality of working lives, including occupational safety and health (OSH) aspects, and it may be a major determinant of productivity at the individual, enterprise and societal levels' (Schulte and Vainio, 2010). Generally, the concept refers to physical and mental well-being at work, psychosocial issues and the working environment. The ECS targets managers and employee representatives rather than individual employees, which implies that workplace well-being is measured using the answers of managers.

The ECS contains information on two aspects of the workplace that can be considered as indirect indicators of the well-being of employees: the work climate, and (the absence of) human resource problems. It could be argued that workplace characteristics such as (the absence of) problems with HR management are suitable indicators of workers' well-being. In particular, a high degree of sickness absence can be considered an indication of physical or mental health issues among employees in the establishment. Likewise, reported difficulties in retaining employees can be seen as an indicator of challenging working conditions. Finally, a perception on the part of management of poor employee motivation and a poor or worsening work climate can be seen as an indication that issues of a psychosocial nature and issues with the general work environment are at play, affecting the well-being of employees at work.

### Work climate

The ECS 2013 asked both managers and employee representatives about the current work climate and about how it had changed over the three years preceding the survey. A majority of managers (84%) and of employee representatives (67%) said that the work climate was 'good' or 'very good'. Consequently, in 58% of establishments that had an employee representative, the employee representative and the manager agreed that the general work climate was 'good' or 'very good'.

**Size:** Management and employee representation are both more likely to report a 'good' or 'very good' work climate in small establishments (62% of both doing so) than in medium-sized and large establishments (50% of both).

**Sector:** Sectoral differences are also quite pronounced, with a good work climate being reported by both the management and employee representative in over 60% of establishments in financial services and the commerce and hospitality sector, but in only 45% of establishments in the transport sector.

**Country:** Country differences are even bigger: both management and employee representatives reported a good work climate in over 80% of establishments in Bulgaria and Romania and in fewer than 50% of establishments in Portugal, France, Hungary, the UK and Spain.

Managers are more positive than employee representatives about changes in the work climate over the three years preceding the survey: 31% reported that it had improved while only 13% felt that it had deteriorated. This compares with 24% of employee representatives reporting an improvement and 26% reporting a deterioration.

**Sector:** The reported opinions of employee representatives do not differ much between sectors, but among management the construction sector stands out, with 19% of managers reporting a deterioration of the work climate. This is likely to be an effect of the economic crisis that hit the sector particularly hard.

**Country:** The findings in terms of country differences also to some extent reflect the impact of the crisis: Greece and Spain are among the three countries (together with Slovenia) in which more than 20% of managers reported a deterioration in the work climate.

### Human resources problems

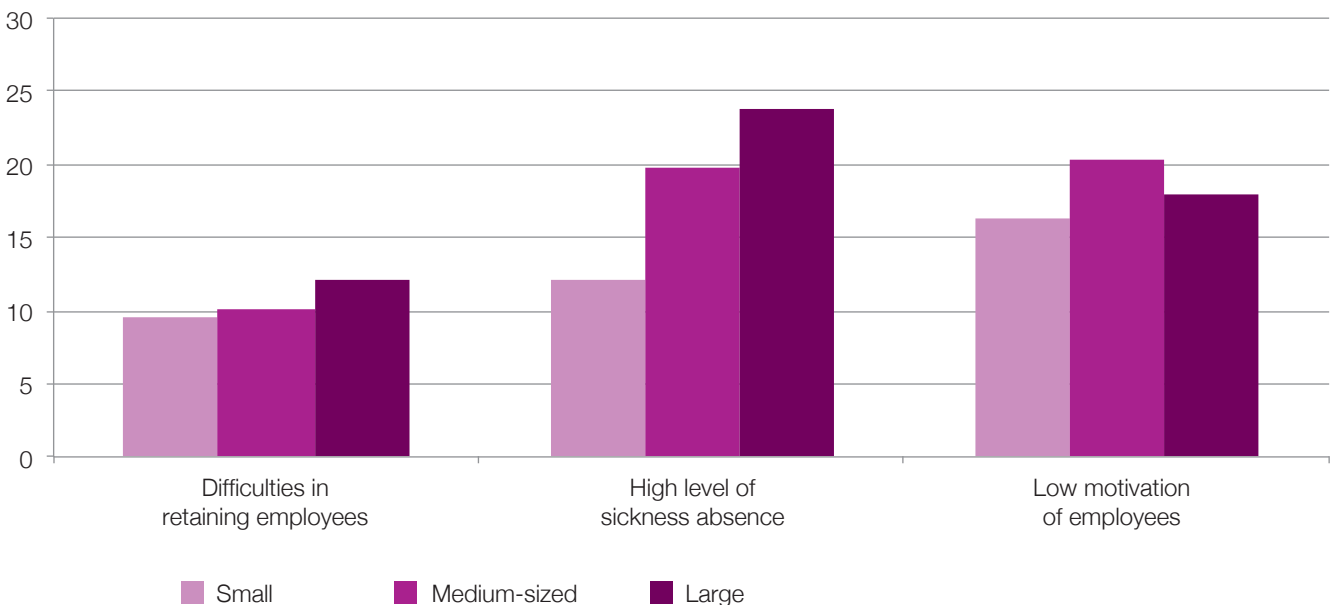
Managers in 13% of establishments report being faced with high levels of sickness absence. Relatively few establishments are faced with difficulties in retaining employees (10%). Poor motivation of employees is a problem faced by 17% of establishments.

**Size:** Problems in human resources are least prevalent in small establishments (Figure 8); however, differences between size classes in terms of employee retention are very small. Differences are largest with regard to sickness absence, which is much more prevalent in larger establishments. Motivation problems, interestingly, are most prevalent in medium-sized establishments.

**Sector:** Problems with employee retention are more or less equally prevalent in all sectors (around 10% of establishments) – except in financial services, where they are somewhat less prevalent (6%). Sickness absence is most problematic in establishments in industry (16%) and least prevalent in financial services (10%). Poor employee motivation is most prevalent in construction (20%) and, again, least prevalent in financial services (13%).

**Country:** Retention problems are most prevalent in Hungary and Lithuania (reported in over 20% of establishments) and least prevalent in Spain, Denmark and the Netherlands (less than 5% of establishments). Sickness absence is most frequently reported to be problematic in Belgium, Germany, Luxembourg (over 20% of establishments), and least frequently reported to be problematic in Greece and Romania (less than 5% of establishments). Problems with poor staff motivation are reported most in Poland, Slovakia, Estonia, Portugal, Lithuania, Hungary (in over 25% of establishments) and reported least in Sweden, Denmark, the UK and Germany (less than 10% of establishments).

**Figure 8: Problems with human resources, by size (%)**



Source: ECS 2013 – Management questionnaire.

## Establishment performance

Establishment performance is captured by two different types of performance indicators, which capture the level of performance as well as the direction of developments in the performance. The ECS 2013 includes an assessment of the establishment's current financial situation, as well as assessments of changes in its financial situation, labour productivity, and production volume in the three years preceding the survey.

### Performance indicators

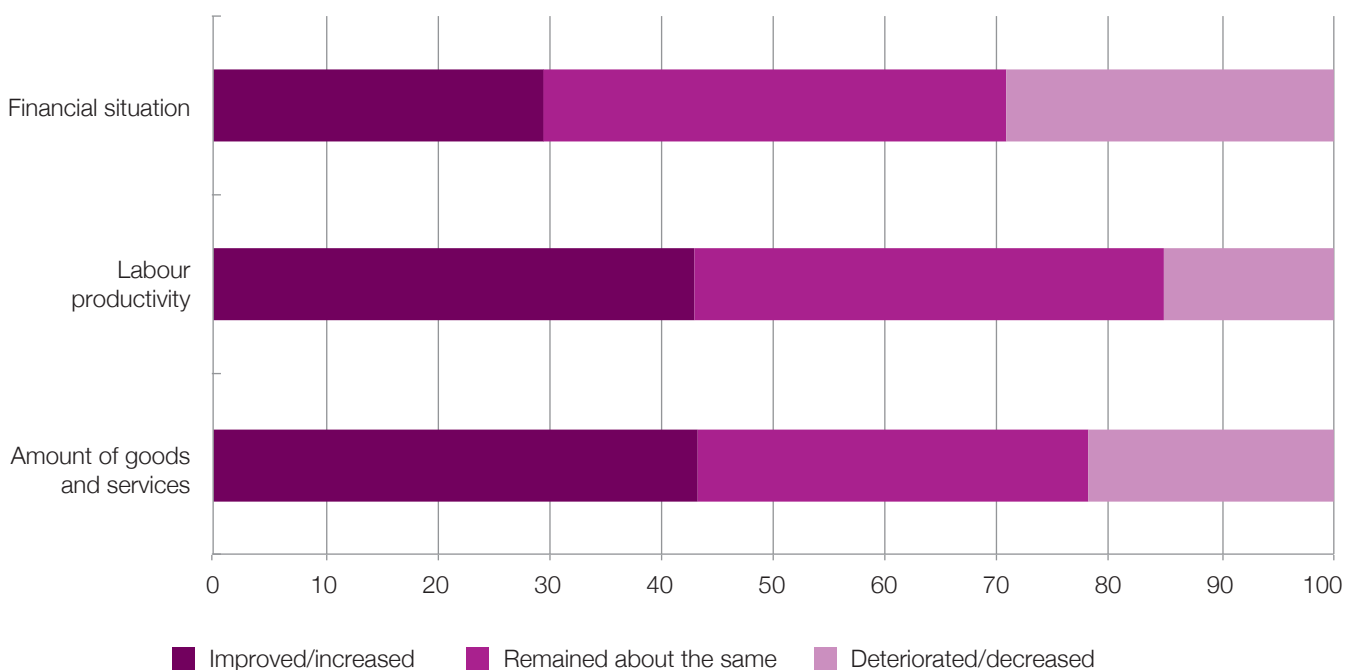
Almost two thirds (62%) of managers rated the financial situation of their establishment as 'very good' or 'good', while only 9% rated it as 'very bad' or 'bad'. About 29% of managers reported that the financial situation of their establishment had deteriorated since the beginning of 2010 (Figure 9). The same proportion (29%), however, reported that the financial situation of their establishment had improved. A poorer financial situation was more often reported in small establishments (30%) than in medium-sized or large establishments (between 21% and 25%). Overall, productivity was perceived as having increased both at the level of individual workers as well as in terms of total outputs. In particular, the proportion of managers reporting an increase of labour productivity in the three years

prior to the survey (43%) is much larger than the proportion of managers reporting a decrease (15%). Similarly, the production volume increased in twice as many establishments (44%) than decreased (22%).

**Size:** Managers in large establishments are somewhat more likely to rate their financial situation as 'very good' or 'good' (70%), than managers in medium-sized (67%) and small establishments (60%). Managers in small establishments are somewhat more likely to report a deterioration and less likely to report improvement in the financial situation, labour productivity and production volume than managers in medium-sized and large establishments. The latter two size classes do not differ much from each other.

**Sector:** Managers in financial services are most likely to rate their financial situation as 'very good' or 'good' (74% doing so) while managers in construction are least likely to do so (53%). The financial crisis does not appear to have impacted on the financial services sector much: establishments in this sector are the most likely to have seen improvements in their financial situation, labour productivity and production volume, and the least likely to have experienced a decline. The opposite is the case for the construction sector, a sector known to have been hit hard by the crisis.

**Figure 9: Development of financial situation, labour productivity and production volume (%)**



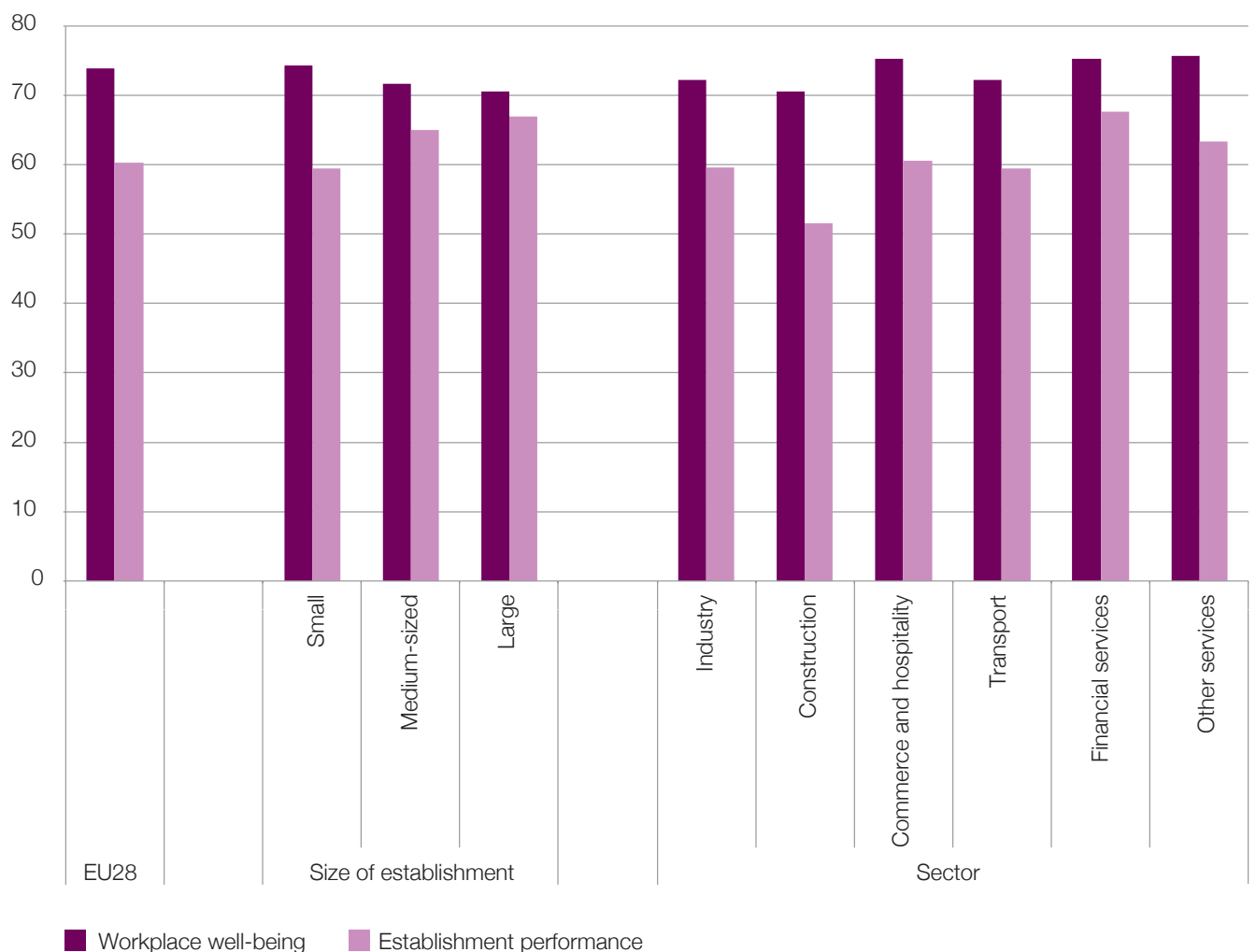
Source: ECS 2013 – Management questionnaire.

**Country:** Over 75% of managers in Luxembourg, the UK and Austria report a 'good' or 'very good' financial situation, compared to fewer than 50% in Portugal, Spain, Hungary and Italy. In terms of changes in the financial situation, labour productivity and production volume, establishments in Cyprus, Greece, Italy, Portugal and Spain are consistently most likely to report a deterioration. The countries where establishments are most likely to report improvements in the financial situation, labour productivity and production volume are not always the same. Improvements in the financial situation are most frequently reported in Sweden, the UK and Estonia; improvements in labour productivity are most prevalent in Austria, Ireland and Sweden; increased production volume is reported most in Estonia, Austria and, again, Sweden.

## Indices of workplace well-being and establishment performance

As part of the analysis, two indices were constructed: on 'workplace well-being' and 'establishment performance'. The index on 'workplace well-being' was constructed by taking the average of the standardised scores on the items on work climate, change in work climate, problems with employee retention, problems with poor employee motivation and problems with high sick leave. The index on 'establishment performance' was constructed by taking the average of the standardised scores on four items: the current financial situation; changes in the financial situation since 2010; changes in labour productivity since 2010; and changes in the amount of goods and services produced since 2010. Both indices were subsequently transformed such that they range between zero and 100.<sup>10</sup>

**Figure 10: Average scores of the workplace well-being and establishment performance indices, by size and economic sector**



Source: Management questionnaire

<sup>10</sup> Detailed information about all indices used in the report is presented in the Annex.



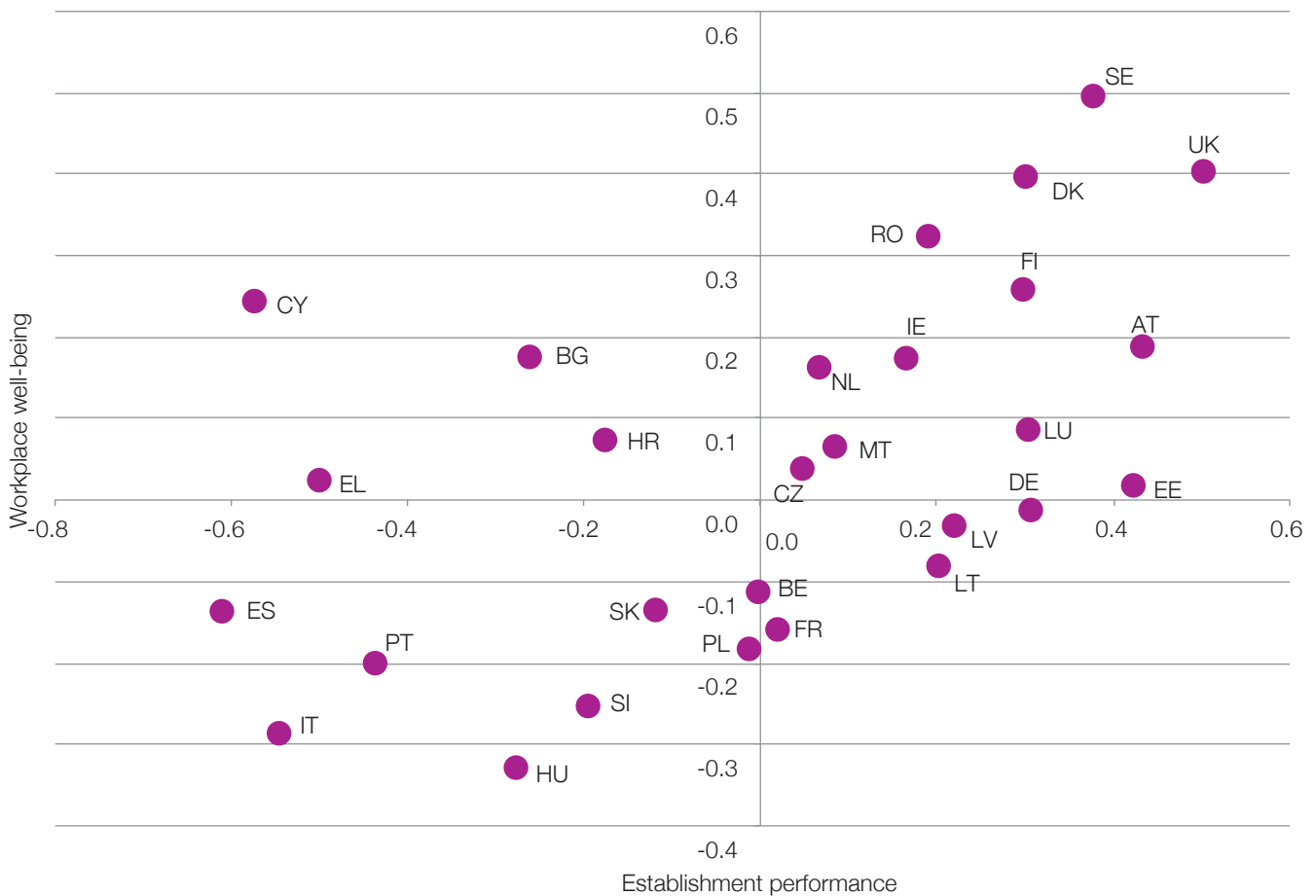
**Sector and size:** The average score on the well-being index is 74 and the average score on the establishment performance index is 60 (Figure 10). Scores on the workplace well-being index do not vary much between size classes and economic sectors. However, interestingly, the score for well-being is slightly higher in small companies than in larger companies, whereas the opposite pattern is found for the score for establishment performance, which is somewhat higher in large companies (67) than in small ones (59). Differences between sectors are a bit more pronounced, with the financial services sector having the highest score for establishment performance (68) and the construction sector having the lowest (52).

**Country:** Figure 11 shows the standardised scores on both indices at the level of individual countries. The scores have been standardised by calculating z-scores. This allows for the direct comparison of differences on each dimension. The figure shows that – at a country level – the indices are positively

related. Countries in which establishments perform better are also more likely to report better workplace well-being. This correlation also holds at the level of individual companies. The figure also shows that overall differences between countries are larger with regard to establishment performance than with regard to workplace well-being.

Countries with the least favourable outcomes are mainly those that have been particularly hit by the Great Recession, and where recovery is sluggish: Italy, Spain, Portugal, Greece and Hungary. Lithuania and – to a lesser extent – Latvia score above average on establishment performance, but below average on workplace well-being. Conversely, Cyprus and Bulgaria score above average on workplace well-being and below average in terms of establishment performance. Finally, Sweden, the UK, and Denmark stand out as the countries that score highest on both dimensions.

**Figure 11: Establishment performance and workplace well-being: indices by country**



**Note:** Both scales are presented in standardised units (z-scores), with zero values on the horizontal and vertical axes representing average scores for all establishments.

**Source:** ECS 2013 - Management questionnaire.

## MAIN FINDINGS

# Establishments in Europe after the crisis

### Organisational characteristics and organisational change

**Organisational characteristics:** The population – and therefore the sample – is dominated by small establishments, something that needs to be taken into account when interpreting the results. Countries differ considerably in terms of the prevalence of the various sectors of activity. The vast majority of establishments in the sample have been in operation for at least 10 years.

**Characteristics of the workforce:** Gender-balance is achieved in only 20% of establishments, with variations between sectors being particularly pronounced. Older workers (over 50 years) are underrepresented in more than half of the establishments (56%). Workers with a university degree are not evenly distributed across the workforce: they are likely to be overrepresented in establishments in the financial services and ‘other services’ sectors, and likely to be underrepresented in industry, construction and commerce and hospitality.

**Organisational change:** Despite the crisis, the proportion of establishments where employment increased (28%) slightly exceeds the proportion of establishments where employment decreased. Country differences in this regard closely reflect the extent to which countries were affected by the crisis. Around one-third of establishments had introduced new or significantly improved marketing methods, processes and organisational change in the three years preceding the survey (34%, 36% and 32% respectively). A slightly larger proportion had significantly changed their products or services (41%). Larger establishments are more likely to have introduced these ‘innovations’ than smaller establishments, and their relative prevalence varies across sectors and countries. Relatively high levels of change are reported in Denmark (which is known to be a dynamic economy with a strong focus on innovation, and which has not been hit particularly hard by the crisis) but also in Portugal and Greece (where changes are likely to have occurred in response to the strong impact of the recession on the economy).

### Workplace well-being and establishment performance

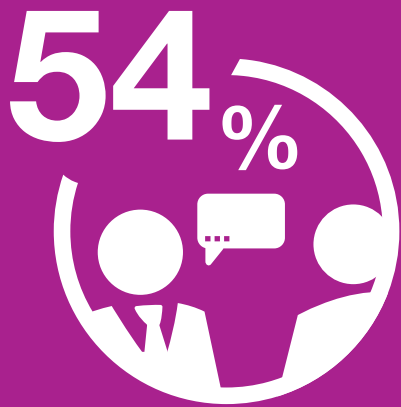
**Work climate:** Most managers (84%) and employee representatives (67%) report a ‘good’ or ‘very good’ work climate. Some 31% of managers reported an improvement of the climate in the three years prior to the survey and 13% a deterioration, as against 24% of employee representatives reporting an improvement and 26% reporting a deterioration. The reported work climate tends to be better in smaller companies, and large country effects are visible.

**Problems in human resources:** Managers in 13% of establishments report high levels of sickness absence, in 10% of establishments employee retention is a problem and 17% of establishments are faced with poor employee motivation. These problems are less prevalent in smaller establishments than in larger ones. Sectoral differences are small and, although country differences are more pronounced, they do not show a clear pattern.

**Performance indicators:** Some 62% of managers rated the financial situation of their establishment as ‘very good’ or ‘good’, and only 9% rated it as ‘very bad’ or ‘bad’. In the three years preceding the survey, the financial situation had deteriorated in 29% of establishments and improved in 29%. Labour productivity had increased in 43% and decreased in 15%, while production volume had increased in 44% and decreased in 22%. Performance is slightly better in larger establishments than in smaller ones. Differences between sectors and countries reflect the impact of the crisis, with deteriorating financial situation and productivity being relatively frequently reported in the construction sector, and in Cyprus, Greece, Italy, Portugal and Spain.

**Workplace well-being and establishment performance:** Workplace well-being and establishment performance are associated: those establishments scoring high on one index are likely to also score high on the other. Well-being is slightly better in small companies than in larger companies, whereas the opposite pattern is found for establishment performance.

Sectoral differences with regard to workplace well-being are small. The financial services sector scores highest on establishment performance and the construction sector lowest. Establishments in Italy, Spain, Portugal, Greece and Hungary score relatively low on both indicators, while those in Sweden, the UK, and Denmark score particularly high on both dimensions.



**In 54% of establishments, managers or supervisors alone decide on planning. Employees make decisions about daily tasks jointly with managers in 40% of establishments, and by themselves in an additional 6%**

# Work organisation



In its broadest sense, work organisation refers to the design of the production process (or the process of service delivery) in terms of the internal and external allocation of activities, the order of activities and the internal allocation of tasks and responsibilities. Both the quality of the outputs and the efficiency at which the outputs are arrived at are determined by the way work processes are organised; this makes work organisation an important determinant of the success of a company. Simultaneously, the organisation of work processes determines the extent to which workers can effectively deploy their skills, improve their skills, learn new skills, and use their creativity – factors that affect their productivity as well as their engagement and job satisfaction.

The organisation of work processes is not necessarily the result of conscious or systematic effort. In quite a number of organisations, work processes have developed organically and incrementally over time, rather than reflecting an explicit design. With the coming of the Industrial Revolution, forms of work organisation emerged that relied on the principles of division of labour, hierarchical and centralised authority, control and supervision. Designed as static structures, they are optimised for a certain fixed set of economic, legal and social conditions. To deal with greater variability and volatility of these conditions – brought on, amongst other things, by increased consumerism and ongoing globalisation – new approaches to work organisation have been developed that facilitate greater flexibility and responsiveness to changes in the internal or external environment.

One of the most important characteristics of these new forms of work organisation is that more autonomy is assigned to employees and their immediate managers, resulting in flatter hierarchies and the decentralisation of authority. For example, in ‘lean production’ types of work organisation, greater employee autonomy is coupled with a continuous focus on strict quality standards and standardised procedures (compare Womack et al, 2007). The ‘high-performance work systems’ approach similarly emphasises the decentralisation of decision-making; additionally it focuses on a number of other aspects: the reduction of functional specialisations (resulting in more multitasking); increased teamwork – in general, and in self-managed teams in particular; a shift in the internal structuring from functional divisions to market- or process-oriented units that provide greater flexibility, employee accountability and customer orientation (Appelbaum and Batt, 1994; Appelbaum et al, 2000; Boxall and Macky, 2009).

In terms of the more general division of labour, outsourcing and collaboration with other organisations are used to achieve savings in the use of labour or capital and increase flexibility. Organisations differ both in the way in which, and the extent to which, management aims to monitor the production process and its results, given the decentralisation of authority and the increased variability in governance structures. Some companies systematically monitor the quality of products and processes – setting explicit, often quantitative,

quality standards – whereas others invest in less formalised structures of decentralised accountability, whether individual or team-based. Companies also differ in the extent to which they invest in systematic practices for knowledge management and business intelligence that allow them to identify the opportunities for improvement, expansion or innovation that might require – or could further enhance – their greater flexibility and adaptability.

Although it has been demonstrated that these ‘high-performance work systems’ compare favourably to more informal or more static ‘Tayloristic’ forms of work organisation in terms of the productivity of companies (for instance, Appelbaum et al, 2000), there are different perspectives on the mechanisms that are at work here. Furthermore, as most of the studies investigating this relationship are sector-specific and have investigated varying combinations of work organisation characteristics, it is difficult to derive definitive conclusions on their effectiveness in terms of companies’ performance (Wood and Wall, 2007). The picture is even more fragmented with regard to the effects of these changes on workplace well-being. Aside from being generally less researched, results are mixed. While some studies have shown that increased employee autonomy and greater prevalence of teamwork boosts employee engagement and job satisfaction (Mackie et al, 2001), other studies show that greater autonomy and individual responsibility can increase work-related stress and create adverse health effects (Godard, 2001). Likewise, the downsizing of the organisation or the outsourcing of work processes in line with new principles of efficiency and flexibility can demoralise and disengage employees and negatively affect work climate (Kumar, 2000).

This part consists of three chapters which, using the ECS 2013 data, look at the following aspects of work organisation:

- **Collaboration and outsourcing:** the activities in which establishments engage, by themselves, in collaboration with other establishments or through complete or partial outsourcing;
- **Internal organisation and information management:** the extent to which establishments are organised in different departments and the logic underlying departmentalisation; the way in which and the extent to which quality is monitored, and the extent to which information from internal and external sources is used to improve quality;
- **Decision-making in daily tasks:** the degree of autonomy that employees have in planning their daily work tasks – individually or as part of a team.

In each chapter, individual aspects of work organisation are described and discussed first. This is followed by the analysis of combinations of these characteristics and the identification of types of establishments based on the way in which they combine the various aspects of work organisation. Each chapter ends with a comparison of the types of establishments in terms of their scores on the indicators of establishment performance and workplace well-being.



## CHAPTER 3

# Collaboration and outsourcing

To make more efficient use of their labour and financial resources in the face of increasing external pressures, many organisations turn to outsourcing as an important consideration in designing work organisation (Eurofound, 2008). Outsourcing happens when an organisation enters into a supply or distribution relationship with another company to engage in activities that the organisation had previously performed itself (Lazonick, 2005).<sup>11</sup> Organisations may choose to outsource some of their activities to reduce costs, improve quality or free up company resources for other activities.

Some establishments may choose not to outsource their activities but rather to collaborate with other establishments or organisations. While outsourcing implies moving the process to another party, in the case of collaboration the particular process is only shared with the other party, the company still being involved in it. Collaboration can be found in cases when know-how or scarce resources need to be accessed outside of the organisation. Another reason for collaboration can be the fragmentation of firms leading to increasing specialisation (Nicholson et al, 2005).

To capture the activities that establishments engage in, and the extent to which they opt for collaboration and outsourcing, managers were asked whether their establishment engages in the development, production (or delivery) and marketing of goods and services, whether this is done alone or in collaboration with another party, and whether they outsourced these activities.<sup>12</sup>

## Design and development

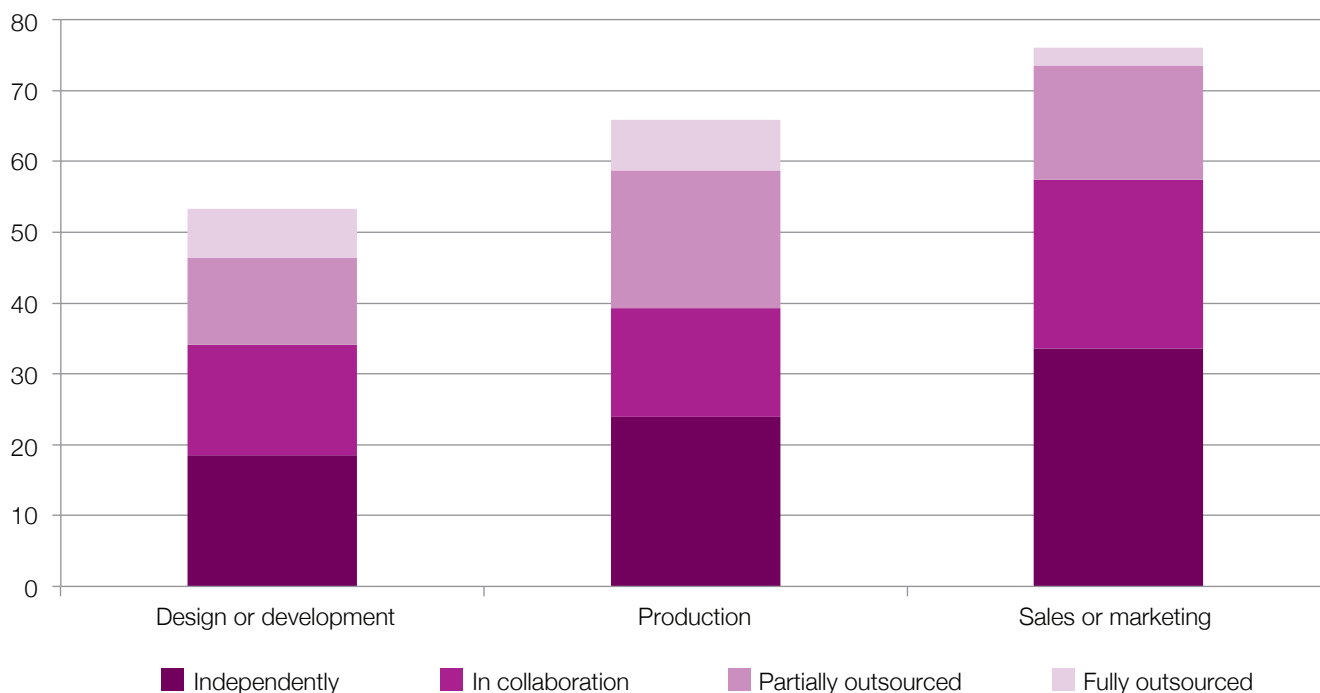
Design and development refers to the entire process of creating new products and services. It involves activities such as identifying market opportunities and designing the characteristics of the product or service. Design and development may involve risks, and demands planning and coordination, making the process challenging for small companies.

More than half of surveyed establishments (54%) indicated that they were involved in design and development. Among these establishments 19% do it independently, 16% do so in collaboration with other companies and 7% outsource this activity (Figure 12). An additional 12% partially outsource design and development of new products and services, in which case part of these activities are still done independently in-house (3%) or in collaboration (10%). Large establishments are most likely to carry out design and development (70% doing so) than medium-sized and small establishments (57% and 44% respectively). Likewise, establishments that are headquarters are more often engaged in designing new products or services in-house than subsidiary sites (53% compared to 40%).<sup>13</sup> Finally, establishments in industry are most likely to carry out design and development (62% doing so) while those in transport are least likely (27%).

<sup>11</sup> Offshoring, by contrast, is the relocation of production services from one country to another.

<sup>12</sup> It should be noted that this is not a complete listing of activities that a company can undertake.

<sup>13</sup> 'In-house' implies that an establishment is engaged in an activity either independently, in collaboration or by only partially outsourcing it.

**Figure 12: Establishment engagement with other companies, by activity (%)**

Source: ECS 2013 – Management questionnaire.

## Production activities

Production refers to the process of transforming inputs (raw materials, ideas, knowledge) into outputs (goods or services). In order to cut costs and boost profits, rather than producing entirely in-house, companies may seek to outsource parts of the process or collaborate in production with other establishments or companies.

Some 66% of all establishments report that they are involved in production activities. Figure 12 shows that 24% of all establishments produce goods or services independently, 15% do so in collaboration and 7% fully outsource them. An additional 19% of establishments partially outsource production. Large establishments are more often engaged in production activities in-house than smaller ones (74% compared with 57%). In terms of sector, by far the highest extent of in-house production can be found in industry (where 82% of establishments produce in-house). The lowest is in transport, and in commerce and hospitality (41% and 45% respectively).

## Sales and marketing

Sales and marketing includes activities that are associated with inducing buyers to purchase the product (targeting and informing potential customers, pricing) and with facilitating the purchase. Some 76% of all establishments are involved in sales and marketing activities. These activities are carried out independently in 34% of establishments, in collaboration with other companies in 24% and fully outsourced in 3%. Partial outsourcing is present in the remaining 16% of establishments that engage in sales and marketing activities (Figure 12). A higher proportion of large establishments is involved in sales and marketing activities than small ones (82% as against 75%). Some sectoral differences can also be seen: establishments in commerce and hospitality are more likely to perform sales and marketing in-house than are establishments in the construction and transport sectors (85% compared to 58% and 59% respectively).



## Box 2: Grouping establishments using latent class analysis

Establishment practices do not occur in isolation. Management is likely to take a range of measures to deal with various issues depending on a number of characteristics of the establishment and its environment. Likewise, the particular choice of introducing certain practices will in most instances require development or modification of a set of related practices that are necessary for its proper functioning. For example, introducing or increasing teamwork may require changes in how decisions on daily tasks are made, how the production process is monitored, how much training is offered, how performance is evaluated and rewarded and so on.

It is therefore important to look at groups of establishments that are using similar combinations of practices. This improves the (ecological) validity of the presented results, since the context of each individual practice is taken into account when analysing the correspondence between practices and other establishment characteristics.

In order to identify groups of establishments with distinctive bundles of practices, a statistical technique called latent class analysis is used. This technique classifies establishments into a number of groups of different sizes, based on similarities in the (patterns of) practices that they use, with similar establishments being assigned to the same type and substantially different establishments classified in different types. This process makes it possible to classify a large variety of combinations of practices across thousands of individual establishments into a few types of establishments with distinct characteristics. By identifying sets of practices that tend to be deployed in combination together it becomes possible to distinguish different types of establishments in regard to their approach to various issues, whether it is the way they organise work, manage human resources or engage with employees. Moreover, latent class analysis permits an examination not only of the incidence and structure of these types of establishments; it also provides insight into differences between establishments using certain sets of practices (that is, those belonging to a certain type) with regard to structural and outcomes characteristics. At the same time, although the main analytical focus is on the combination of practices (on types of establishments) it is still possible to determine the degree to which each of the individual practices is important for particular classification, and this information will be presented in the report.

## Establishment types: collaboration and outsourcing

Latent class analysis (see Box 2) was used to identify different types of establishments, based on the extent to which they entered into relationships with other firms.

The analysis identified three types of establishments based on their practices with regard to collaboration and outsourcing:

- 'Moderate';
- 'Extensive';
- 'Limited'.

### 'Moderate'

This type is prevalent in 37% of all establishments. The majority of them (54%) are engaged in the sales and marketing of goods and services, while only a few are involved in production (26%)

and design and development of products and services (12%). However, in cases where they engage in any of those activities, around half do so in collaboration with other companies (rather than independently) – 25% compared to 29% in the case of sales and marketing, 11% compared to 15% in production and 6% compared to 5% in design and development respectively. However, there are very few establishments that outsource any of the activities.

### 'Extensive'

This type is prevalent in 36% of establishments, which are heavily involved in collaboration and in outsourcing their core activities. In particular, 57% of these establishments collaborate with other companies in the design and development of products and services, 64% in production and 68% in the sales and marketing of goods and services. In addition, almost half of these establishments outsource their activities – 43% in design and development, 54% in production, and 38% in sales and marketing.

**Table 1: Profiles of establishment types – collaboration and outsourcing (%)**

	'Moderate'	'Extensive'	'Limited'	EU28
<b>Group size</b>	<b>37</b>	<b>36</b>	<b>27</b>	<b>100</b>
<b>Design or development of new products or services</b>				
Done in-house with collaboration	6	57	9	25
Done in-house without collaboration	5	7	61	21
No design/development	88	36	30	54
<b>Outsourcing design or development of new products or services</b>				
Yes	2	43	10	19
No	98	57	90	81
<b>Production of goods and services</b>				
Done in-house with collaboration	11	64	8	29
Done in-house without collaboration	15	7	78	30
No production	74	28	13	41
<b>Outsourcing production of goods and services</b>				
Yes	5	54	19	26
No	95	46	81	74
<b>Sales/marketing of goods and services</b>				
Done in-house with collaboration	25	68	10	36
Done in-house without collaboration	29	14	78	37
No sales/marketing	46	18	12	27
<b>Outsourcing of sales/marketing of goods and services</b>				
Yes	6	38	8	18
No	94	42	92	82

**Note:** ■ indicates that this element is of high importance in distinguishing the three types, ■ that it is of moderate importance.

**Source:** ECS 2013 – Management questionnaire.

## 'Limited'

Establishments of this type (27% of all establishments) usually carry out the listed activities without the involvement of a third party: 61% design and develop in-house, 78% carry out production and 78%, again, market in-house. These establishments also rarely outsource their activities.

The three types differ most in terms of the design or development of new products or services and the production of goods and services, with each type having a specific dominant approach to both these aspects. The three types are somewhat less distinctive in terms of their approach to sales and marketing and their approach to the outsourcing of design or development and the outsourcing of production. Finally, the approach to the outsourcing of sales/marketing is the least distinctive characteristic for this classification, although it is still moderately important.

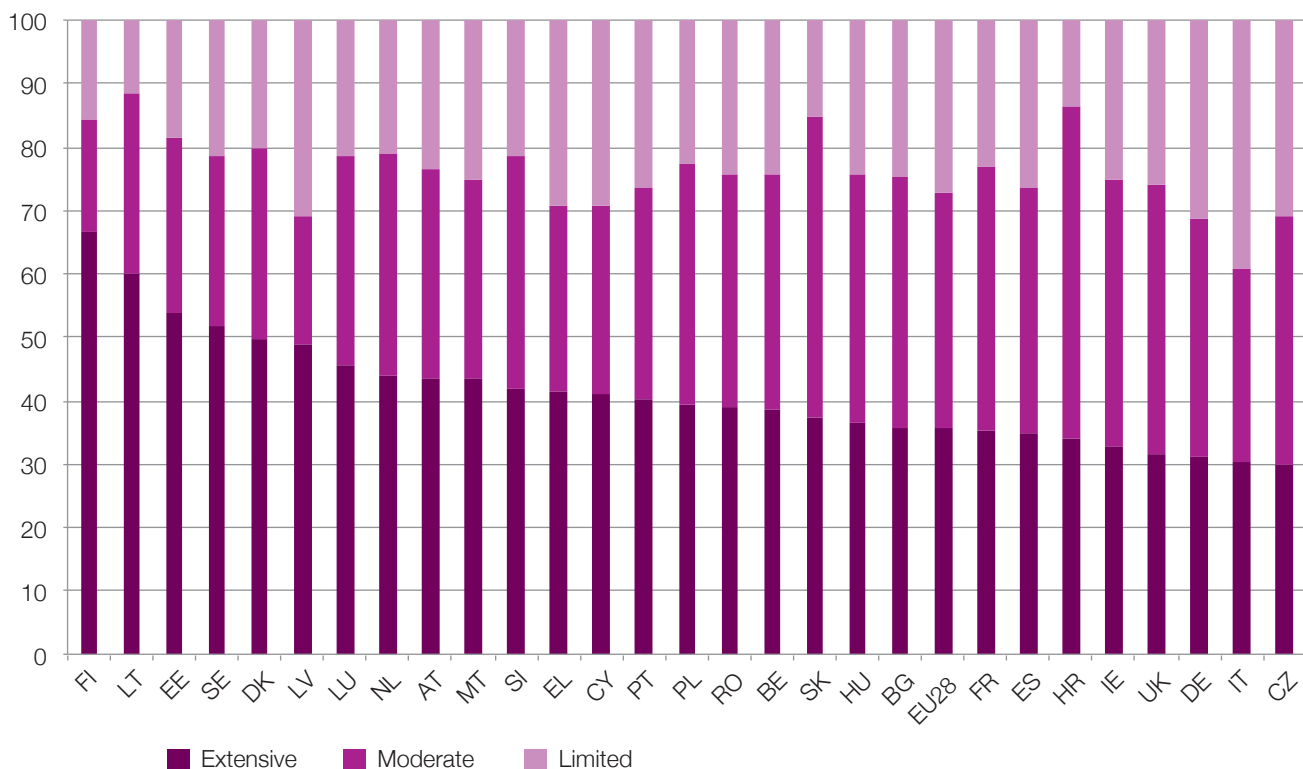
## Distribution of types across structural characteristics

**Size:** The 'Moderate' types are more frequent among small establishments compared to large establishments (39% and 23% respectively), while the 'Extensive' type is more common in medium-sized and large companies (44% and 48% of these companies belonging to this type) compared to small ones (34%). The proportion of the 'Limited' type is similar for all size classes.

**Sector:** 'Moderate' establishments are the dominant type in the transport sector (comprising 55% of establishments). In other sectors, no single type can be identified as dominant. Notably, the 'Limited' type is underrepresented in transport and financial services (16% and 15% of establishments).

**Country:** 'Extensive' establishments dominate in Finland (comprising 67% of establishments), Lithuania (60%) and Estonia (54%; see Figure 14). 'Moderate' establishments are most prevalent in Croatia (52%), UK (43%) and Ireland (42%). The 'Limited' type is most often found in Italy (39%).

**Figure 13: Establishment types – external relationships, by country (%)**

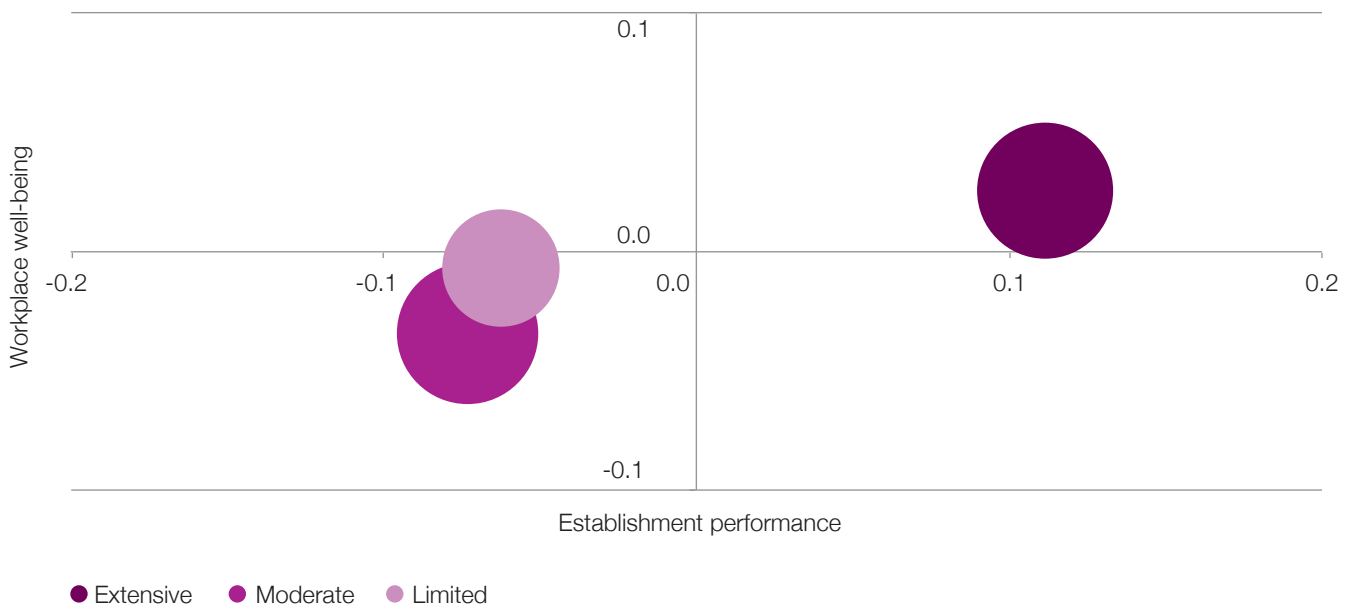


Source: ECS 2013 – Management questionnaire.

## Scores on establishment performance and workplace well-being

The 'Extensive' type of establishment scores somewhat higher on the establishment performance index than either the 'Moderate' or 'Limited' types, but the difference is relatively small (Figure 14). There are very small differences in terms of the workplace well-being index among the three types, with the 'Extensive' and 'Limited' types having only slightly higher scores than the 'Moderate' type.

**Figure 14: Workplace well-being and performance, by establishment type – external relationships**



**Source:** ECS 2013 – Management questionnaire.

**Note:** Both scales are presented in standardised units (z-scores), with zero values on the horizontal and vertical axes representing average scores for all establishments; the size of the circles indicates the relative size of each type – that is, the proportion of all establishments that belong to each type.

# CHAPTER 4

## Internal organisation and information management

Establishments vary in the extent to which different tasks and activities are explicitly assigned to specific departments. Although an explicit departmental structure and task division can contribute to efficiency and effectiveness, companies can achieve a more flexible work organisation by opting for a more product- and service-based internal structuring rather than a function-based task division, as this makes them more responsive to the market and allows for greater individual or team-level accountability (see Galbraith and McCann, 1981). In addition, as they are functioning in a more unstable environment, they are under more pressure to develop mechanisms that will ensure that they continuously monitor, record, and improve internal work processes as well as monitor relevant external developments. In order to implement these changes, an organisation might seek to increase its 'functional flexibility' by enhancing the capacities of staff to perform different tasks – through, for example, task rotation, autonomous teamwork or further training for other roles.

### Organisation of departments

One important aspect of internal structuring is how companies structure their activities across different units or departments. The ECS 2013 examined the following three ways of organising activities in the establishment:

- output-based departments (dealing with different types of products or services);
- function-based departments (such as sales, production, administration, research);
- geographically based departments.

For instance, a furniture company that structures itself according to product would have the following departments: 'Tables', 'Chairs' and 'Benches'. In contrast, a company organised according to function would have departments for 'Wood processing', 'Assembly' and 'Varnishing'. And one organised on a geographical basis could have departments for Europe, Asia and Africa (Eurofound, 2013b).

Some 72% of establishments have departments based on function. Fewer than half of all establishments (46%) have

departments based on products or services. And only 20% of establishments have departments based on geography.

When looking at how various approaches to departmentalisation are combined, it becomes apparent that 20% of establishments do not have separate departments based on function, output or geographical location. Most frequently, in 29% of establishments, departmentalisation is solely function-based; next most commonly, 26% of establishments have a combination of output-based and function-based departments. A smaller proportion of establishments – 13% – have departments of all three types and only 5% have a fully output-based departmentalisation.

### Teamwork

It is difficult to arrive at a single definition of teamwork. Several concepts exist and researchers in the field of working conditions differ in their view of what teamwork means (Eurofound, 2007). In addition, cultural contexts in different countries may influence understanding of the term. To avoid confusion, for respondents the ECS 2013 defined a team as being 'a group of people working together with a shared responsibility for the execution of allocated tasks, within or across units of the establishment'.

The survey found that teams are present in 73% of establishments, being most common in large establishments: 91% of large establishments have teams, compared to 84% of medium-sized establishments and 71% of small ones. Teamwork is most prevalent in establishments in the construction sector (79%) and in other services (78%) and least prevalent in establishments in the transport sector (63%) – see Figure 15.

In 32% of establishments, employees are allocated to more than one team at the same time, allowing them to carry out a wider variety of duties, deploy a wider variety of skills, and engage with a wider variety of colleagues. Allocating employees to multiple teams is least common in sectors where there is less teamwork, such as transport and financial services. On the other hand, in sectors with a higher occurrence of

teamwork, such as construction and other services, employees tend to work in multiple teams. Allocating employees to multiple teams is most common in establishments in Croatia (46%) and least common in the Netherlands (23%).

## Task rotation

Task rotation is when a worker moves between two or more tasks. It can involve a variety of situations: for example, the tasks may or may not require different skills and the scheme may or may not be controlled by management.

It has been asserted that task rotation can – under specific circumstances – increase productivity because workers are able to carry out more tasks and they can be allocated to different tasks according to production needs. Because all workers know the tasks, coordination between them becomes easier. Task rotation is also assumed to benefit workers’ well-being as it can help mitigate repetitive strain disorders, such as musculoskeletal disorders. It also provides learning opportunities, and prevents monotony and hence boredom.

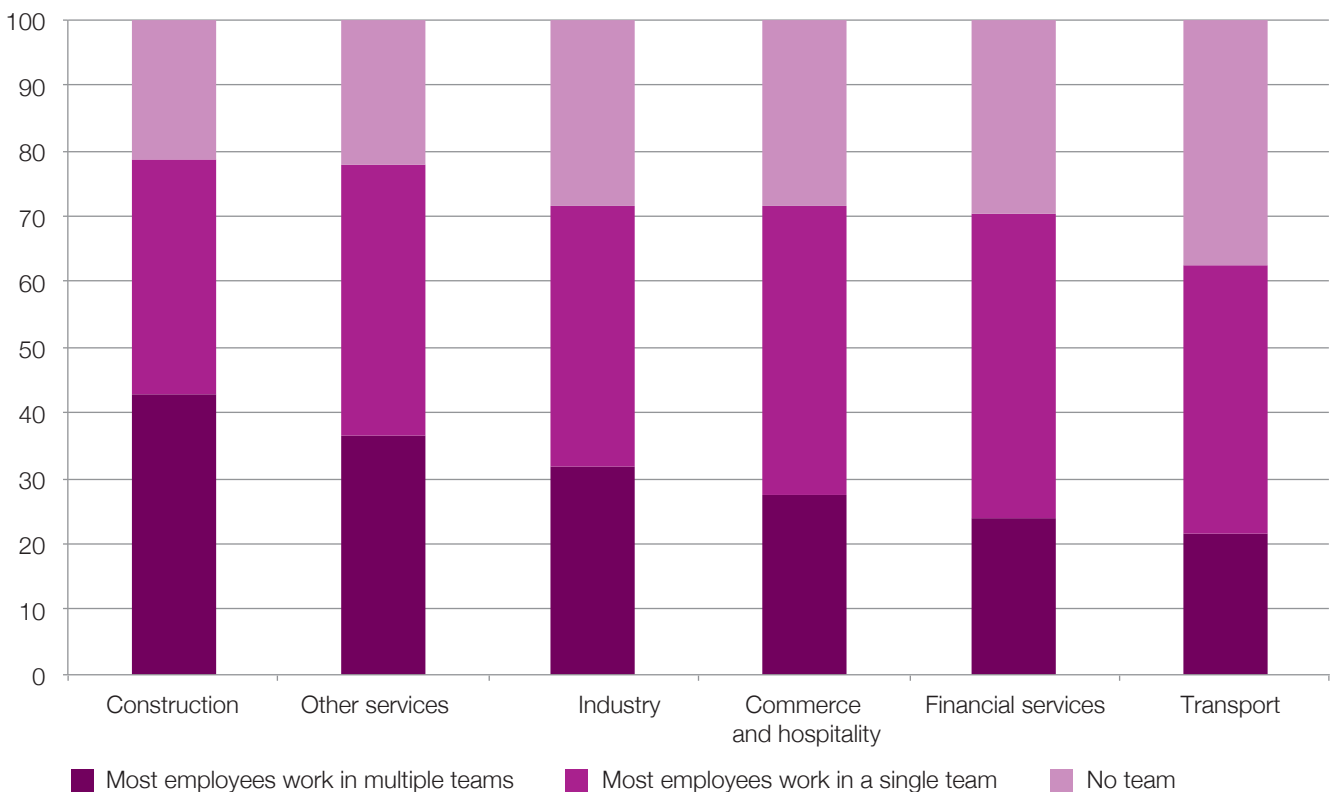
In 67% of establishments, at least some employees rotate tasks with other employees: in 23% of establishments most employees rotate tasks and in 44% only some do. Task rotation – where at least some workers rotate tasks – is more likely to be practised in larger establishments. At the same time, in large establishments it is less likely that the majority of workers will rotate tasks. So, while a higher proportion of large establishments may apply task rotation, the practice is limited to a smaller proportion of employees than in small establishments.

Task rotation is practised most frequently in construction and in industry (being practised in about 70% of establishments in both sectors); it is practised least in financial services (in 60% of establishments).

## Information management

Information about internal and external developments is a key organisational resource. Companies can obtain a competitive advantage by effectively managing internal and external information. This includes awareness of changes in the market and the external environment, including new ideas and

**Figure 15: Prevalence of different teamwork regimes, by sector (%)**



Source: ECS 2013 – Management questionnaire.

technological developments. In addition, companies need to be able to transfer knowledge between individuals, groups and organisational units (Mansell et al, 2007), enabling them to learn. For example, if mistakes are documented but not communicated to others in the organisation, it is not possible for the organisation as a whole to learn from them (Goh, 2002). This section will look at the extent to which European establishments do the following:

- document good work practices;
- use information systems;
- monitor quality of products;
- monitor external ideas and technological developments.

## Knowledge transfer and sharing good work practices

Documenting and sharing good work practices is an important aspect of knowledge transfer: workers can learn from each other by sharing their practices, experiences and lessons learned. The ECS 2013 asked whether employees kept records that could be used for such purposes. In 62% of establishments, employees do document and keep records of their good work practices or lessons learned.

**Size:** Record-keeping is more common in large establishments (being practised in 78% of establishments) than in medium-sized establishments (71%) and small ones (60%).

**Sector:** The highest proportions of establishments that document and keep records of good practice are in financial services and other services (70% and 69% respectively). The lowest proportion is found in construction (53%).

**Country:** Considerable differences exist between countries: most establishments in Luxembourg (83%) and Romania (80%) document and record good work practices, while only a minority do so in Croatia, Latvia and Slovakia (fewer than 40%).

## Information systems

Information systems can be used to enable 'just-in-time' production systems and 'lean' production.<sup>14</sup> Managers were asked whether their establishment uses information systems to minimise supplies or work-in-process. Almost half (44%) indicated that they use such systems, more frequently in large establishments (67% of large establishments using them compared to 42% of small ones). Information systems are most often applied in industry (51%) and least often in financial services and other services (35% of establishments in both).

<sup>14</sup> Just-in-time is a production system that aims to increase efficiency by reducing inventory costs. This is achieved by receiving and continuously ordering only small amounts of materials and goods to coincide with their use in the production process (McNett et al., 2006). Lean production strives to produce goods in a continuous flow with no interruptions, backflows or waste (Cartwright, 2005).

<sup>15</sup> Variables referring to the internal division of labour, and variables referring to knowledge management, were analysed together, because they were found to be interrelated.

## Monitoring quality

The monitoring of the quality of the process of production or services delivery can be an integrated part of the business process as well as a source of information on effectiveness and efficiency. Managers in 93% of establishments report that the quality of the production processes or service delivery is monitored. No substantial differences were found between the examined categories of establishments. A large majority (82%) of the establishments that monitor quality do so on a continuous basis. The likelihood that an establishment will monitor quality on a continuous basis increases with establishment size.

## Monitoring external ideas and technological developments

Gaining information about competitors, customers, suppliers, technology, environment and potential business relationships helps organisations in their strategic decision-making. Perhaps not surprisingly, then, monitoring external ideas and developments appears to be widespread, being reported by 68% of establishments. Large establishments are more likely to monitor external ideas, 85% doing so as against 75% of medium-sized establishments and 67% of small ones. Differences were found also between sectors. Establishments in the transport sector are least likely to monitor external ideas or technological developments (57% doing so), while those in other services and financial services are most likely to do so (74% and 72% respectively).

Of those establishments that do monitor external ideas or technological developments, 42% do so using staff assigned specifically to this task, whereas in 58% of them this task is part of the responsibilities of staff generally. Large establishments are more likely to assign specific staff to such monitoring tasks.

## Establishment types: internal organisation and information management

Latent class analysis of the data distinguished two types of establishments on the basis of their internal structuring and information management:<sup>15</sup>

- 'Highly structured';
- 'Moderately structured'.

**Table 2: Profiles of establishment types – internal organisation and information management**

	'Highly structured'	'Moderately structured'	EU28
<b>Group size</b>	<b>52</b>	<b>48</b>	<b>100</b>
<b>Use of information systems for minimising supplies/work process</b>			
Yes	61	26	44
<b>Monitoring quality of production</b>			
Yes, on a continuous basis	87	64	76
Yes, on an intermittent basis	11	22	16
No	2	14	8
<b>Monitoring external ideas or developments</b>			
Yes, using staff assigned specifically to this task	43	14	29
Yes, as part of the responsibilities of general staff	44	33	39
No	13	52	32
<b>Keeping records of good practices</b>			
Yes	78	44	72
<b>Teamwork</b>			
No team	14	41	27
Most of them work in more than one team	47	36	41
Most of them work in a single team	39	24	32
<b>Departments based on function</b>			
Yes	90	54	72
No	10	46	28
<b>Departments dealing with different types of products/services</b>			
Yes	70	21	46
No	30	19	54
<b>Departments dealing with specific geographical areas</b>			
Yes	32	6	19
No	28	94	81

**Note:** ■ indicates that this element is of moderate importance in distinguishing the two types, ■ that it is only of low importance.

**Source:** ECS 2013 – Management questionnaire.



### ‘Highly structured’

Establishments of this type (comprising 52% of all establishments) share a number of features. Teamwork is relatively prevalent: in 86% of establishments, employees work in single or multiple teams. There is an explicit task division between departments (90% of establishments have departments based on function and 70% based on products and services). Practices are deliberately implemented for both business intelligence (87% monitor external ideas or developments) and for information management (61% use information systems for minimising supplies/processes, 87% monitor quality of production and 78% keep records of good practices).

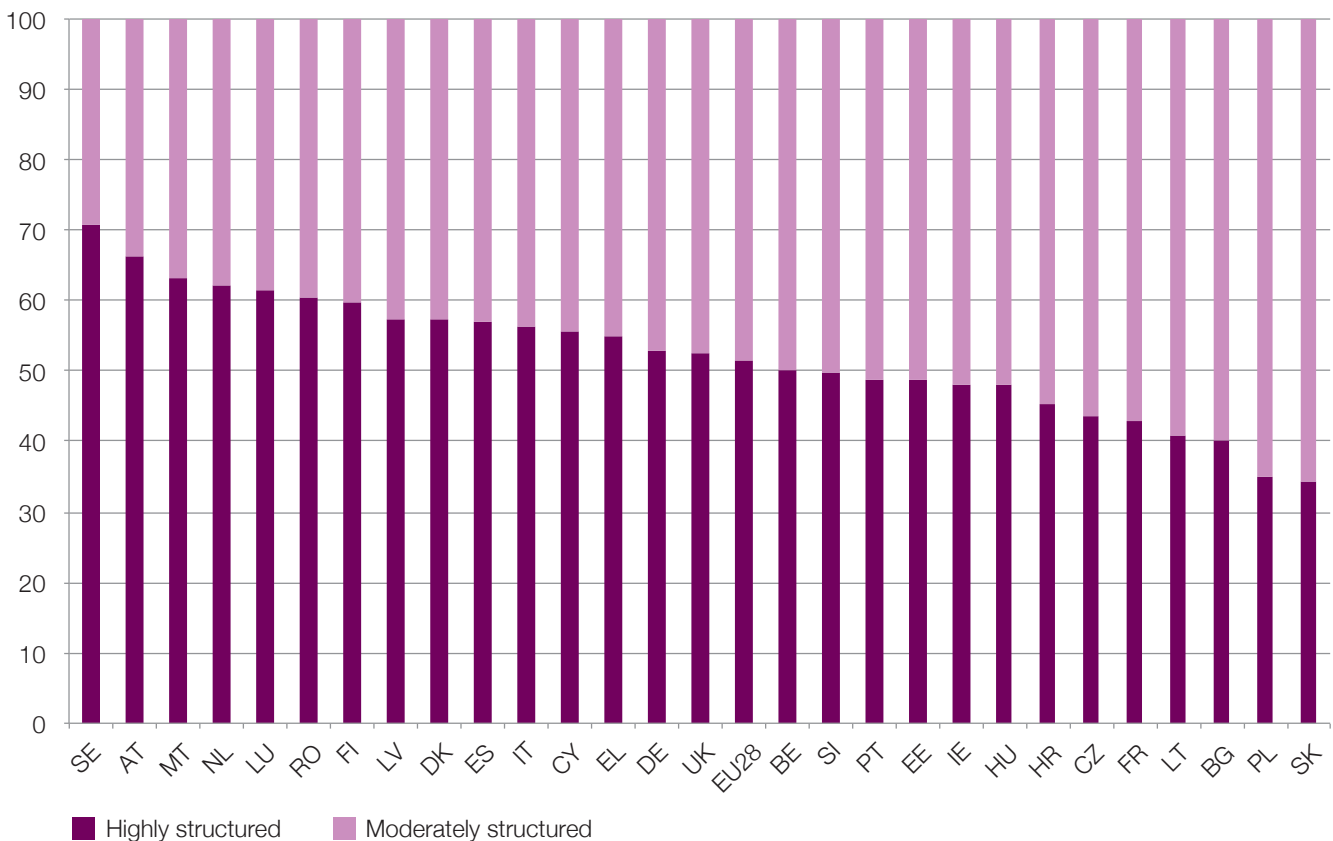
### ‘Moderately structured’

In these establishments (comprising 48% of establishments), teamwork is less prevalent (59%) and tasks are less systematically divided between different types of departments: 54% of these establishments have departments based on function,

21% have departments based on products/services and only 6% have departments based on geographical area. In addition, their practices for business intelligence and knowledge management are much less developed: external ideas or developments are monitored in only 47% of establishments, information systems for increasing efficiency of work processes are used in 26% and – while quality of production is monitored in 86% of these establishments – only 44% keep records of good practice.

Six of the eight variables in the model are moderately important for the given classification while the remaining two are less important. The two obtained establishment types differ mostly with regard to the use of information systems, the monitoring of external ideas or developments, keeping records of good practice, departments based on function, departments dealing with different types of products/services, and departments dealing with specific geographic areas. The two types are less different in terms of the remaining two indicators – quality monitoring and teamwork.

**Figure 16: Establishment types – internal organisation and information management, by country (%)**



Source: ECS 2013 – Management questionnaire.

## Distribution of types across structural characteristics

**Size:** The 'Highly structured' type of establishment is much more prominent among large and medium establishments than among small establishments (83% and 70% compared to 48% respectively); the 'Moderately' structured type is more common in smaller establishments.

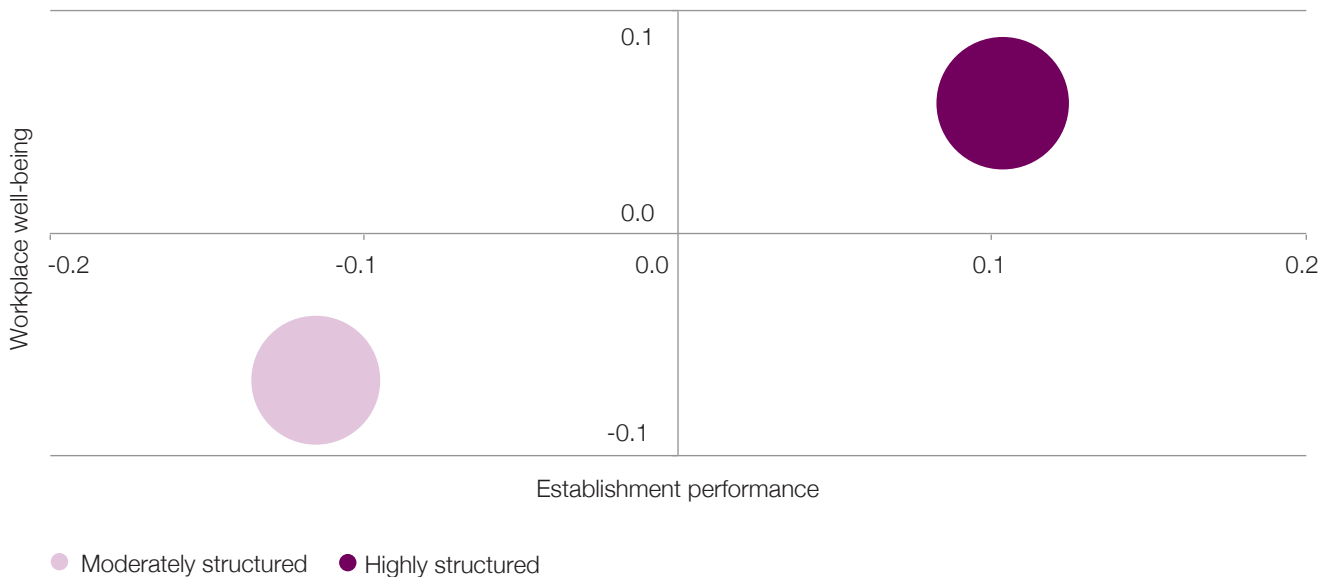
**Sector:** The proportion of the types does not differ substantially across economic sectors.

**Country:** The 'Highly structured' type is most prevalent in Sweden and Austria (71% and 66% of establishments respectively). 'Moderately structured' establishments dominate in Poland and Slovakia (both 66%) – Figure 16.

## Scores on establishment performance and workplace well-being

Establishments of the 'Highly structured' type perform better and their employees enjoy greater well-being than establishments of the 'Moderately structured' type. In particular, 'Highly structured' establishments score higher than average both on the establishment performance index and on the workplace well-being index. On the other hand, 'Moderately structured' establishments score below average on both indices. Differences between the two types are somewhat larger in terms of performance than in terms of well-being.

**Figure 17: Workplace well-being and performance by establishment type – internal organisation and information management**



**Note:** For an explanation of the graph, please refer to Figure 14.

**Source:** ECS 2013 – Management questionnaire.

# CHAPTER 5

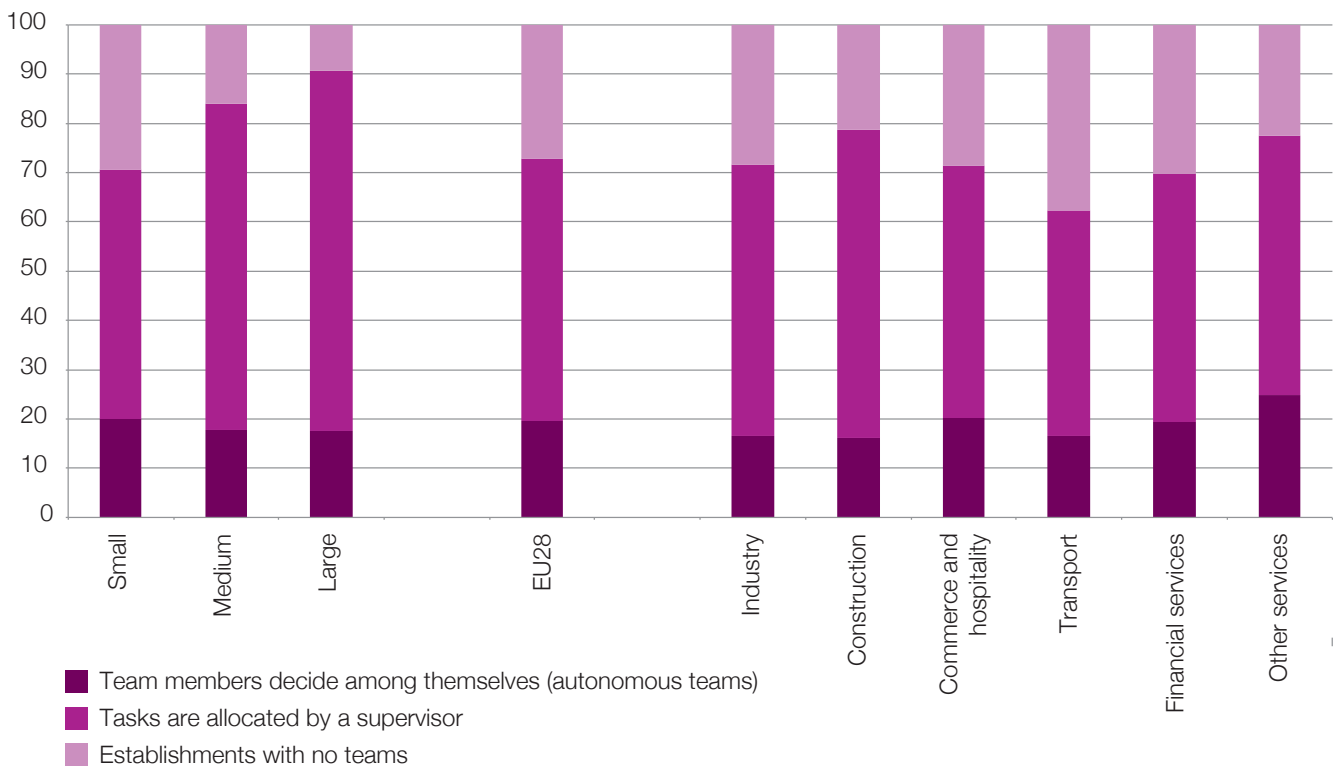
## Decision-making on daily tasks

Autonomy is the freedom that a team or individual has over how they do their work – in particular, in taking decisions on daily tasks. Under the right conditions, working in an autonomous team – where the team itself decides on the allocation of tasks – can have a beneficial impact on employee behaviour, leading to enhanced motivation, better use of skills, more job satisfaction and less absenteeism and voluntary turnover (Nicholson et al, 2005). Conversely, a lack of individual autonomy (or task authority – being able to plan daily work tasks oneself) is related to various health problems and higher levels of absenteeism (Eller et al, 2009; Head et al, 2007; Schaufeli et al, 2009; Spector, 1986).

### Autonomous teamwork

Several types of teamwork can be distinguished, ranging from work groups that have little active decision-making power to those that are relatively autonomous in making decisions around work processes and internal organisation (Gallie et al, 2012). In so-called ‘lean’ teams, employees can be exchanged easily, few formal skills are required and on-the-job training is more feasible. In contrast, in autonomous or semi-autonomous teams, there is a flat hierarchy with no formal leaders, tasks are integrated within the team and the team is held collectively responsible for achieving its tasks (Eurofound, 2007). In practice, the members of autonomous teams decide among themselves who will perform the tasks, while in lean teams a supervisor assigns the tasks. Autonomous teams were reported in 20% of establishments (Figure 18).

**Figure 18: Teams and team autonomy, by size and sector (%)**



Source: ECS 2013 – Management questionnaire.

**Size:** The prevalence of autonomous teamwork is fairly similar for establishments of different sizes.

**Sector:** Establishments in the other services sector are the most likely to use autonomous teams (25% doing so). The least likely to do so are those in construction (16%) and in industry and transport (both 17%).

**Country:** Establishments in Denmark, Finland and Sweden are most likely to have autonomous teams (being reported in more than 42% of establishments) while those in Romania, Cyprus, Greece and Slovakia are least likely (fewer than 9% of establishments having autonomous teams).

## Employee autonomy in decision-making

Being able to plan daily work tasks – ‘task authority’ – is an important aspect of individual employee (as opposed to team) autonomy. In almost all establishments, managers or supervisors are (at least partly) involved in their daily planning.

- In the majority of surveyed establishments (54%), managers or supervisors alone decide on planning.
- In 40% of establishments, the managers and supervisors take decisions together with the employees.
- In 6%, the employees undertaking the tasks take the decision themselves.

**Size:** Managers/supervisors in smaller establishments are somewhat more likely to take decisions on the planning and execution of the daily tasks on their own than in larger establishments (54% compared to 47%). On the other hand, in smaller establishments employees also take decisions on daily tasks more than those in larger companies (7% and 3% respectively).

**Sector:** Employees have the greatest autonomy in financial services: they (co-)decide on planning daily work in 60% of establishments in the sector. In contrast, employees in construction have the least, having any input into decisions in only 31% of establishments.

**Country:** Managers in Sweden are most likely to report a high level of employee autonomy (75% of managers doing so), followed by those in Finland (74%) and Austria (69%). Managers in Slovakia are least likely to report a high level of employee autonomy (21%), followed by Croatia (23%), and Portugal and the Czech Republic (both 27%).

## Establishment types: decision-making on daily tasks

Based on establishment practices with regard to decision-making on daily tasks, latent class analysis identified two types of establishments:

- ‘Top-down’
- ‘Joint’

### ‘Top-down’

A majority of all establishments (62%) have a ‘Top-down’ approach to decision-making on daily tasks. In 69% of these establishments, only managers/supervisors decide and plan work allocation; in 30%, both employee and managers/supervisors jointly take these decisions. In addition, in almost all cases when teams are present (68% of establishments in this type), task allocation is decided by managers/superiors.

### ‘Joint’

The remaining 38% of establishments have a ‘Joint’ approach to decision-making, meaning that managers/supervisors are much more inclined to fully or partially delegate decision-making to employees. In terms of task autonomy, decisions are taken jointly in 54% of these establishments and by employees only in an additional 16%. Likewise, autonomous teamwork is much more prevalent, with 44% of establishments that have teams reporting that the team members themselves decide who performs which tasks.

Both variables are moderately important for the obtained classification: that is, the two types differ to a similar degree in terms of task autonomy and autonomous teams.

**Table 3: Profiles of establishment types – decision-making on daily tasks (%)**

	'Top-down'	'Joint'	EU28
<b>Group size</b>	<b>62</b>	<b>38</b>	<b>100</b>
<b>Task autonomy (who decides planning and execution of daily tasks)</b>			
The employee undertaking the tasks	1	16	6
Managers or supervisors	69	30	54
Both employees and managers or supervisors	30	54	39
<b>Autonomous teams (who decides by whom the tasks are being performed)</b>			
Team members decide among themselves	5	44	20
Tasks are allocated by a superior	68	30	53
No team	28	26	27

**Note:** ■ indicates that the two variables are of moderate importance in distinguishing the two types.

**Source:** ECS 2013 – Management questionnaire.

## Distribution of types across structural characteristics

**Size:** The prevalence of the two types of establishment remains approximately the same across all three size categories.

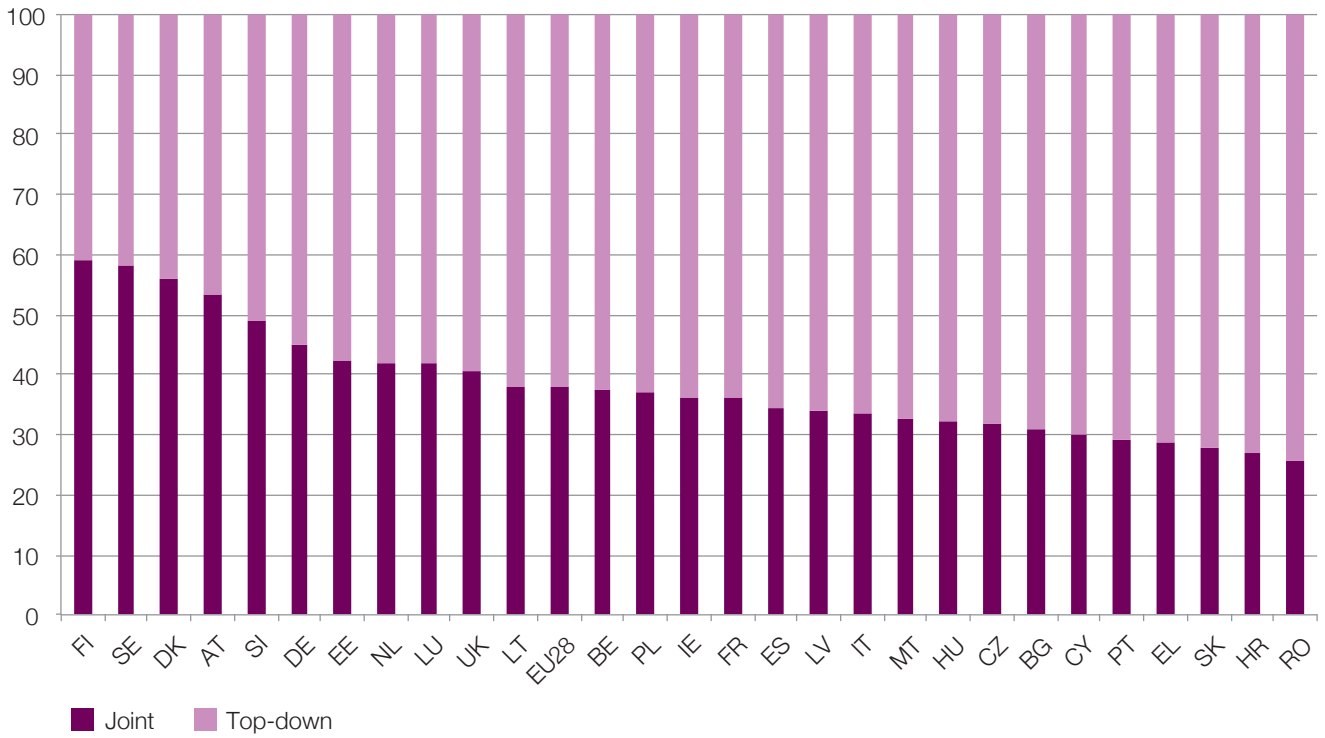
**Sector:** The construction sector and industry have the highest proportion of 'Top-down' establishments (69% and 66% respectively); the lowest proportions are in financial services (57%) and other services (56%).

**Country:** Considerable differences exist between Member States. In Denmark, Finland and Sweden the proportion of 'Top-down' establishments is below 45%; in Romania, Croatia, Slovakia, Greece and Portugal, however, it exceeds 70% (Figure 19).

## Scores on establishment performance and workplace well-being

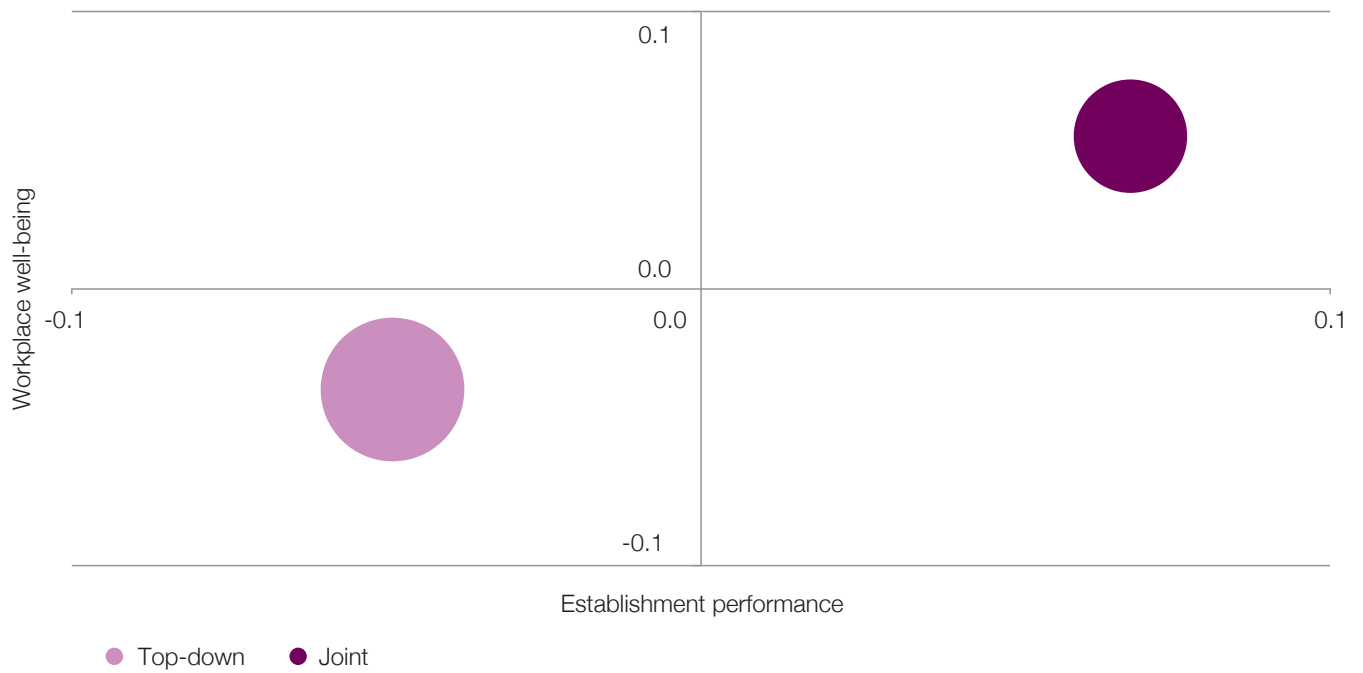
'Joint' establishments score better in terms of both establishment performance and workplace well-being. However, the difference is slightly larger in terms of establishment performance than in terms of workplace well-being – although for both indicators, differences are fairly small.

**Figure 19: Establishment types – decision-making on daily tasks, by country (%)**



Source: ECS 2013 – Management questionnaire.

**Figure 20: Workplace well-being and performance by establishment type – decision-making on daily tasks**



**Note:** For an explanation of the graph, please refer to Figure 14.

**Source:** ECS 2013 – Management questionnaire.

# MAIN FINDINGS

## Work organisation

### Collaboration and outsourcing

**Incidence of collaboration and outsourcing:** Respectively, 54%, 66% and 76% of establishments are involved in the design and development, production and sales and marketing activities. Most conduct these activities independently or in collaboration with other companies. A substantial proportion (around 20%) is also involved in partial outsourcing, while full outsourcing is rare for each of the activities. Larger companies are more likely to be engaged in each of the three activities than smaller ones.

**Types of establishment:** There are three types of establishment based on characteristics of their collaboration and outsourcing. Establishments in the 'Extensive' type (comprising 36% of all establishments) are – in a majority of cases – involved in collaboration in each of the three activities and in around half of the cases also in partial or full outsourcing. Establishments in the 'Moderate' type (37%) are less often involved in the design and development and production of goods and services, but when they are, about half of them do so in collaboration with other companies. They very rarely outsource their activities. Establishments of the 'Limited' type (27% of all establishments) conduct most of their activities independently, very rarely resorting to either collaboration or outsourcing.

**Distribution of the types:** The 'Extensive' type is more common among larger establishments, while the 'Moderate' type is somewhat more often found among smaller establishments and in the transport sector. Unlike these, the 'Limited' type is not associated with any particular size of establishment; however, it is less common in the sectors of transport and financial services. The 'Extensive' type dominates in Finland and Lithuania, the 'Moderate' type in Croatia and the UK, while the 'Limited' type is most prominent in Italy.

**Scores on performance and workplace well-being:** On average, establishments of the 'Extensive' type score higher on establishment performance than establishments of the other two types. The three types do not differ substantially in terms of their scores on the workplace well-being index.

### Internal structure and information management

**Incidence of internal structuring arrangements and information management practices:** Among the establishments surveyed in the ECS 2013, departments are most often divided based on function (72%) – less so on products and services (46%) and geography (20%). Teams are present in 73% of establishments with 32% of establishments having employees in more than one team at the same time. In 67% of establishments, at least some employees rotate tasks with other employees. Good work practices are documented and recorded in 62% of establishments, information systems for minimising supplies or work-in-process are used in 44% of establishments while quality of production is monitored in the overwhelming majority of establishments – 93%. External ideas and developments are monitored by 68% of establishments.

**Types of establishments:** In 'Highly structured' establishments (comprising 52% of establishments) teamwork is relatively common and an internal structure based on departmental function and products/services is present in the great majority of them. In addition, there are established practices of external and internal information gathering and quality monitoring. The 'Moderately structured' establishments (48% of establishments) show a lower occurrence of internal departmental division. In addition, internal and external monitoring is less often practised and there is less use of information for quality assurance.

**Distribution of the types:** The 'Highly structured' type of establishment is more prominent among large establishments than is the 'Moderately structured' type. 'Highly structured' establishments are most frequently found in Sweden and Austria, while the 'Moderately structured' type is most prevalent in Poland and Slovakia.

**Scores on performance and workplace well-being:** On average, 'Highly structured' establishments have higher scores on both the establishment performance and workplace well-being indices than 'Moderately structured' establishments.



## Decision-making on daily tasks

### **Incidence of approaches to decision-making on daily**

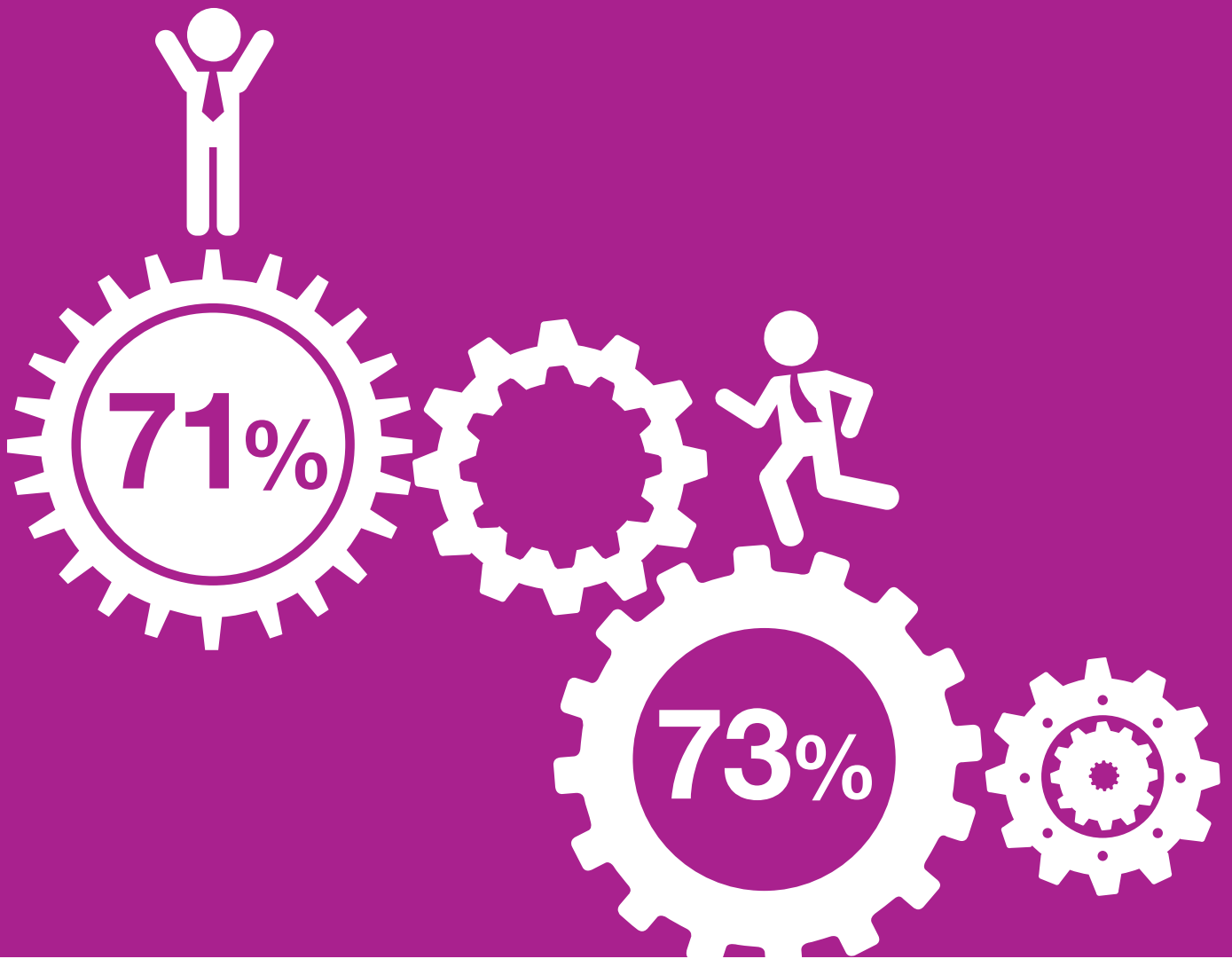
**tasks:** Autonomous teams exist in 20% of establishments – most commonly in Denmark, Finland and Sweden. They are least likely to be found in establishments in Romania, Cyprus and Greece. Employees make decisions about daily tasks jointly with managers in 40% of establishments, and by themselves in an additional 6%. Employees have the most autonomy regarding their daily tasks in the financial sector, while they have the least autonomy in construction. Sweden and Finland have the highest number of establishments offering autonomy, while it is least prevalent in establishments in Slovakia and Croatia.

**Types of establishments:** The 'Top-down' type (comprising 62% of all establishments) is characterised by a relatively low level of autonomy in making decisions on daily tasks and by a limited prevalence of autonomous teams. Establishments of the 'Joint' type (38% of establishments), on the other hand, are much more often involved in either joint or independent decision-making and their employees are largely members of autonomous teams.

**Distributions of the types:** The 'Top-down' type of establishment is most frequently found in the construction and industry sectors and least commonly in financial services and other services. The 'Top-down' type is most prevalent in Romania and Croatia; the 'Joint' type represents a majority of establishments in Finland, Sweden, Denmark and Austria.

### **Scores on performance and workplace well-being:**

Establishments of the 'Joint' type score higher on both the establishment performance and workplace well-being indices than do establishments of the 'Top-down' type.



**The majority of establishments provide paid time off for training (71%) or on-the-job training (73%) to at least some of their employees**

# Human resource management



Human resource management (HRM) is a term commonly used to label all organisational activities concerned with recruitment and selection as well as redundancies and dismissals, training and development, job design, appraisal and remuneration, and more generally, motivating and controlling workers. The question of whether and how HRM can help companies to perform well has attracted a great deal of attention by researchers and practitioners alike (see Guest, 2011 for an overview of decades of research). While many studies have focused on the link between HRM (in a general sense) and company performance, the link with employee outcomes has only more recently been added to the research agenda. Two conflicting perspectives have emerged in this regard:

- the 'mutual gains perspective' suggests that HRM can improve employee well-being, which in turn increases company performance (Boxall and Purcell, 2010);
- the 'conflicting outcomes' perspective suggests that while HRM measures improve company performance, they either have no effect or a negative effect on employee well-being (Legge, 1995; Willmott, 1993).

Overall, research suggests a robust link between HRM and company performance, but a weaker and more difficult-to-grasp link with employee well-being (Macky and Boxall, 2007; Vanhala and Tuomi, 2006; Baptiste, 2008). In addition, Van de Voorde et al (2012) conducted a systematic review of 36 quantitative studies that looked into the relationship between HRM practices and employee well-being. These concluded that HRM can be beneficial for employees in terms of happiness and relationship-oriented forms of well-being (such as cooperation, trust and work climate) and for organisational performance; however, HRM can also be associated with possible negative effects on employee health.

Many of these studies apply a 'universalist' perspective, which implies that HRM practices have the same impact across the economy, regardless of the characteristics and environment of the organisation in which they are applied. However, it could be argued that a 'contingency' perspective is required, paying explicit attention to the effectiveness of HRM practices in specific circumstances. Macky and Boxall (2007), for instance, suggest there may be limits to the extent to which high-performance workplaces are likely to result in positive outcomes for employees. Win-win outcomes, they argue, are sensitive to the context in which the firm operates and employee outcomes may become less optimal when complexity and work intensification increases. Furthermore, companies operate in different institutional and legislative settings (the availability of training institutions, whether run by state, social partners or the private sector; legislation governing working time and work-life balance; the (non-)regulation of variable pay), all of which determine the parameters within which company-specific HRM

practices operate. Paauwe et al (2013) discern a lack of attention being paid to this institutional context.

Issues of job design, authority and autonomy have been covered in the first part of the report, which looked at work organisation. This part, 'Human resource management', will focus on a number of HRM practices investigated in the ECS 2013, building from the preparatory background papers (Eurofound, 2013b and 2013c). It consists of four chapters, which explore the following practices in greater detail:

- recruitment and career development;
- training;
- working time arrangements;
- variable pay schemes.

Each chapter first describes single practices and, where feasible, developments over time, using the previous wave of the ECS. It then goes on to classify establishments into types based on the way they combine these single practices. The chapters end by showing the scores on workplace well-being and establishment performance for each type of establishment – in terms of the bundles of HRM practices.

## CHAPTER 6

# Recruitment, employment and career development

One could argue that HRM starts with the recruitment process and continues in the practices applied for career development. The approach taken by companies to recruitment and career development is directly related to the extent to which they are flexible in terms of the size and skills of their workforce. It is clear that ensuring a good match between skills and tasks is likely to benefit company performance. Investing in the career development of employees can be viewed as a way of retaining and developing talent (crucial for company performance and advantageous for workers' employability); at the same time, it can also help to engage and motivate workers – and this, in turn, could be expected to have positive effects on their productivity and their well-being.

This chapter looks at workplace practices with regard to recruitment and career development but, in order to do so, it must take into account the employment situation that establishments find themselves in. It describes practices with regard to employment contracts and performance appraisal and looks at the extent to which establishments offer opportunities for promotion and for contract renewals. It goes on then to distinguish types of establishments based on their employment situation and the approach they take to employment and recruitment. Finally, it will look at the scores for each of these types in terms of establishment performance and workplace well-being.

### Employment contracts

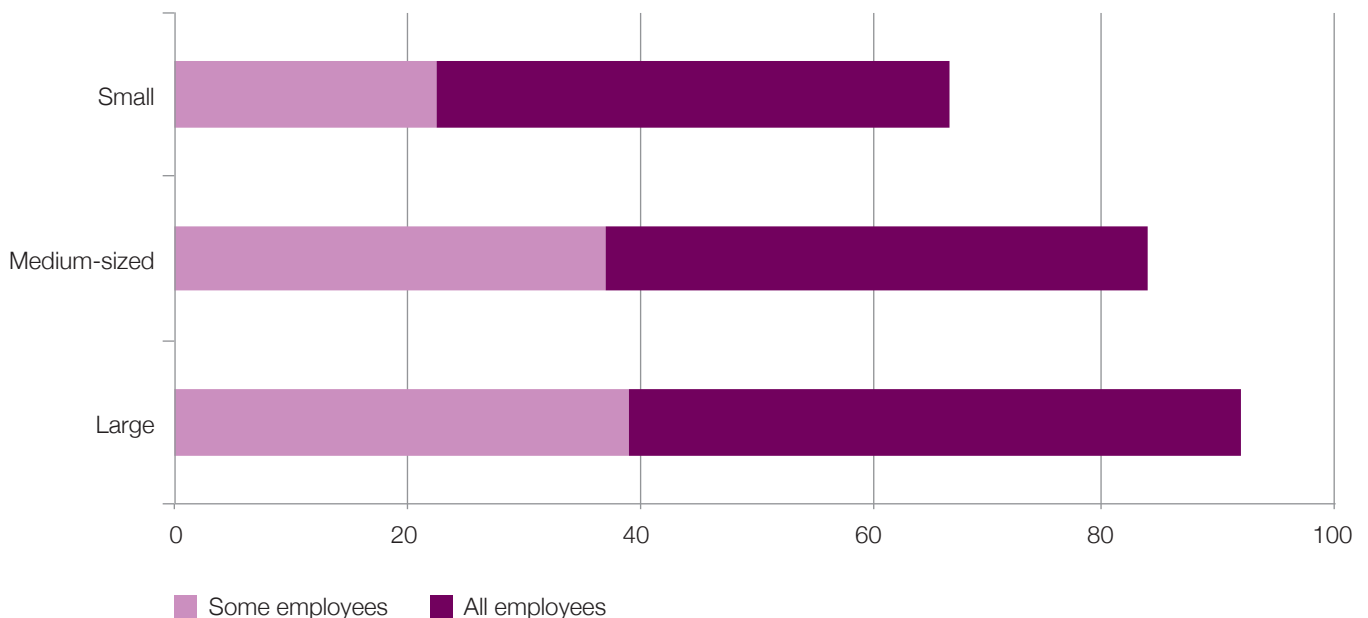
According to the Labour Force Survey, 14% of the workforce held a temporary contract in 2013 (Eurostat, 2014), implying that 86% were employed on an open-ended contract. This is reflected in the findings of the ECS 2013: in 78% of establishments, more than 80% of employees were employed on an open-ended contract. Only 2% of establishments reported that none of their employees was on an open-ended contract. The incidence of open-ended contracts does not vary much across

establishments of different sizes: at least 80% of employees were employed on an open-ended contract in 78% of small establishments, in 76% of medium-sized establishments and in 73% of large establishments. Establishments in financial services are the most likely to employ at least 80% of their staff on a permanent basis (86% doing so), followed by establishments in industry (81%), construction (79%) and the transport sector (76%). Establishments in the commerce and hospitality sector are most likely to have a high proportion of employees with a temporary contract, followed by establishments in other services – both being sectors characterised by marked seasonal variations in workload. There are considerable country variations: in the Netherlands, only 54% of establishments reported that at least 80% of their staff were on permanent contracts; in Austria, 93% of establishments did so.

### Performance appraisal

The majority of European establishments have a performance appraisal system in place. A quarter of establishments have a performance appraisal system that covers some employees, whereas 45% have a system that covers all members of staff. The existence of a performance appraisal system is clearly linked to the size of establishments (Figure 21), its incidence increasing with the size of the establishment. Some 67% of small establishments have an appraisal system in place, compared to 84% of medium-sized establishments and 92% of large establishments. The difference in coverage between size classes is mainly found with regard to systems that only cover some employees.

Turning to the distribution of performance appraisal practices by country, a considerable variation across EU Member States can be observed: the proportion of establishments with a performance appraisal system ranges from 29% in Croatia to 95% in Denmark (Figure 22).

**Figure 21: Prevalence of performance appraisal systems, by establishment size (%)**

Source: ECS 2013 – Management questionnaire.

## Tenure and promotion opportunities

The ECS 2013 investigated the existence of other career development practices, collecting information regarding the tenure of staff and the availability of promotion opportunities. With regard to tenure, 87% of managers agreed or strongly agreed with the statement ‘the majority of employees who had a temporary contract got a further contract afterwards’. There is relatively little variation across Member States: over 70% of managers agreed or strongly agreed with the statement in all Member States except for Denmark, where only 52% of managers agreed or strongly agreed with the statement.

The ECS 2013 also looked into the availability of promotion opportunities for internal staff. The survey asked whether managers looked, in the first instance, for suitable internal candidates to fill vacancies. This was reported by 89% of establishments, with a slightly higher incidence in larger establishments and similar rates across sectors.

## Establishment types: recruitment and employment

Managers in almost half (47%) of the establishments in Europe reported that the number of employees in their establishment had remained unchanged since the beginning of 2010. One-quarter (25%) reported a decline and 28% reported an increase. These figures of net employment change are, however, only part of the picture. On an ongoing basis, workers leave and new ones are hired. The magnitude and interplay of these worker inflows and outflows determines whether an establishment grows or shrinks. The ECS 2013 looked into changes in net employment as well as changes in the recruitment policies, the need to reduce staff, whether or not companies were able to find employees with the required skills, and difficulties with retaining employees. A latent class analysis was conducted to see whether types of establishments could be identified based on their employment situation and their approach to recruitment.

The analysis distinguished three types of establishments:

- ‘Business-as-usual’;
- ‘Shortage of matching skills’;
- ‘Reduction in workforce’.



**Figure 22: Prevalence of performance appraisal system, by country (%)**

Source: ECS 2013 – Management questionnaire.

## ‘Business-as-usual’

The largest proportion of establishments (67%) is in a situation of business-as-usual in employment and recruitment (see Table 4). The majority (54%) of establishments in this group have a fairly stable workforce. In another 29% of establishments of this type, employment had increased, largely in line with the European average. Only a minority of such enterprises reported having made recent changes in their recruitment policies. Some 28% of managers in this group reported difficulties with finding employees with the required skills, which is just below the European average. Relatively few managers in this group reported difficulties in terms of staff retention (3%); the need to reduce staff was only an issue in a small minority (5%) of establishments.

## ‘Shortage of matching skills’

The type labelled ‘Shortage of matching skills’ is prevalent in 19% of establishments, most of which have seen an increase or stability in the number of employees (42% and 43% respectively). However, the vast majority of these establishments (86%) find it difficult to attract employees with the required skills. At the same time, difficulties in staff retention are an

issue for 30% of these establishments; these issues are likely to have triggered the recorded high incidence of changes in recruitment policies.

## ‘Reduction in workforce’

The ‘Reduction in workforce’ type comprises 14% of establishments. In 75% of these establishments employment had decreased and 78% of managers reported a need to reduce staff. Still, in 16% of these establishments, the manager reported having difficulties with staff retention while in 31% there was difficulty in finding employees with the required skills. A quarter of the establishments in this type have responded by introducing changes in their recruitment policies.

A need to reduce staff has the greatest importance for this classification in terms of employment and recruitment, the three types differing most in this regard. The three establishment types differ somewhat less in terms of difficulties in finding employees with the required skills, difficulties in retaining employees and change in the number of employees. Finally, changes in recruitment policies do not seem to matter greatly, as the three types have relatively similar values on this indicator.

**Table 4: Profiles of establishment types –employment and recruitment (%)**

	'Business-as-usual'	'Shortage of matching skills'	'Reduction in workforce'	EU28
<b>Group size</b>	<b>67</b>	<b>19</b>	<b>14</b>	<b>100</b>
<b>Change in recruitment policies</b>				
Yes	11	32	26	17
<b>Difficulties in finding employees with the required skills</b>				
Yes	28	86	31	39
No	72	14	69	61
<b>Difficulties in retaining employees</b>				
Yes	3	30	16	10
No	97	70	84	90
<b>Need to reduce staff</b>				
Yes	5	13	78	17
No	95	17	22	83
<b>Change in the number of employees</b>				
Increased	29	42	5	28
Stayed about the same	54	43	20	47
Decreased	16	16	75	24

**Note:** ■ indicates high importance in distinguishing types, ■ moderate importance, and ■ low.

**Source:** ECS 2013 – Management questionnaire.



## Distribution of types across structural characteristics

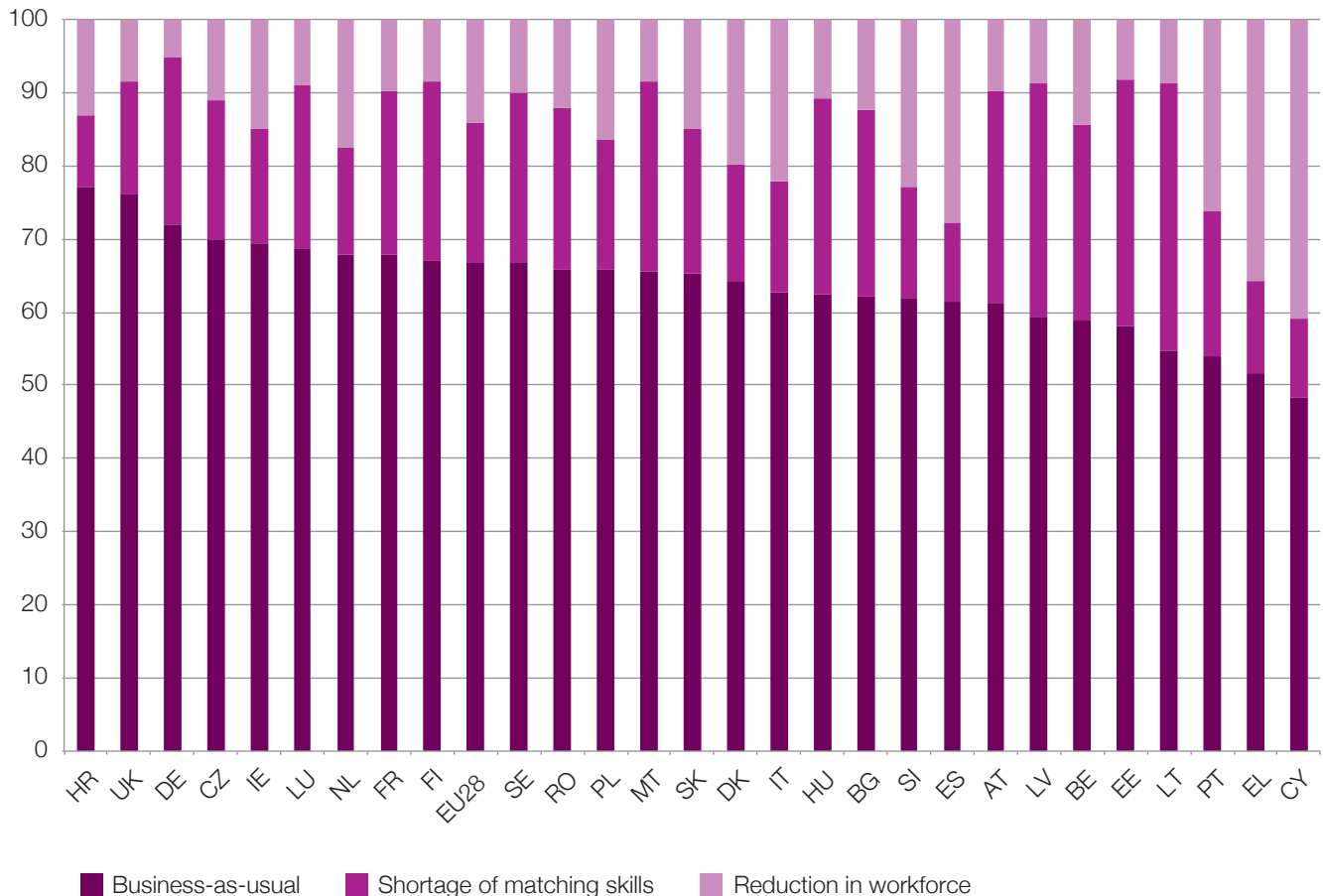
**Size:** Large establishments are over-represented in both 'extreme' types: that is, they are more likely to be in the 'Reduction in workforce' or 'Shortage of matching skills' type, and consequently are under-represented in the 'Business-as-usual' type.

**Sector:** The 'Business-as-usual' type is most often found in the financial services sector. The 'Shortage of matching

skills' type is most prevalent in the other services sector, while the 'Reduction in workforce' type is most often found in construction.

**Country:** Figure 23 shows the distribution of the three types across the Member States. The 'Business-as-usual' type of establishment is most often found in Croatia, the UK and Germany. The 'Shortage of matching skills' type is most prevalent in the Baltic states, Austria and Hungary. Finally, the 'Reduction in workforce' type is most prevalent in some of the countries in the EU Economic Adjustment Programme: Cyprus, Greece, Spain and Portugal, but is also prevalent Slovenia and Italy.

**Figure 23: Establishment types – employment and recruitment, by country (%)**



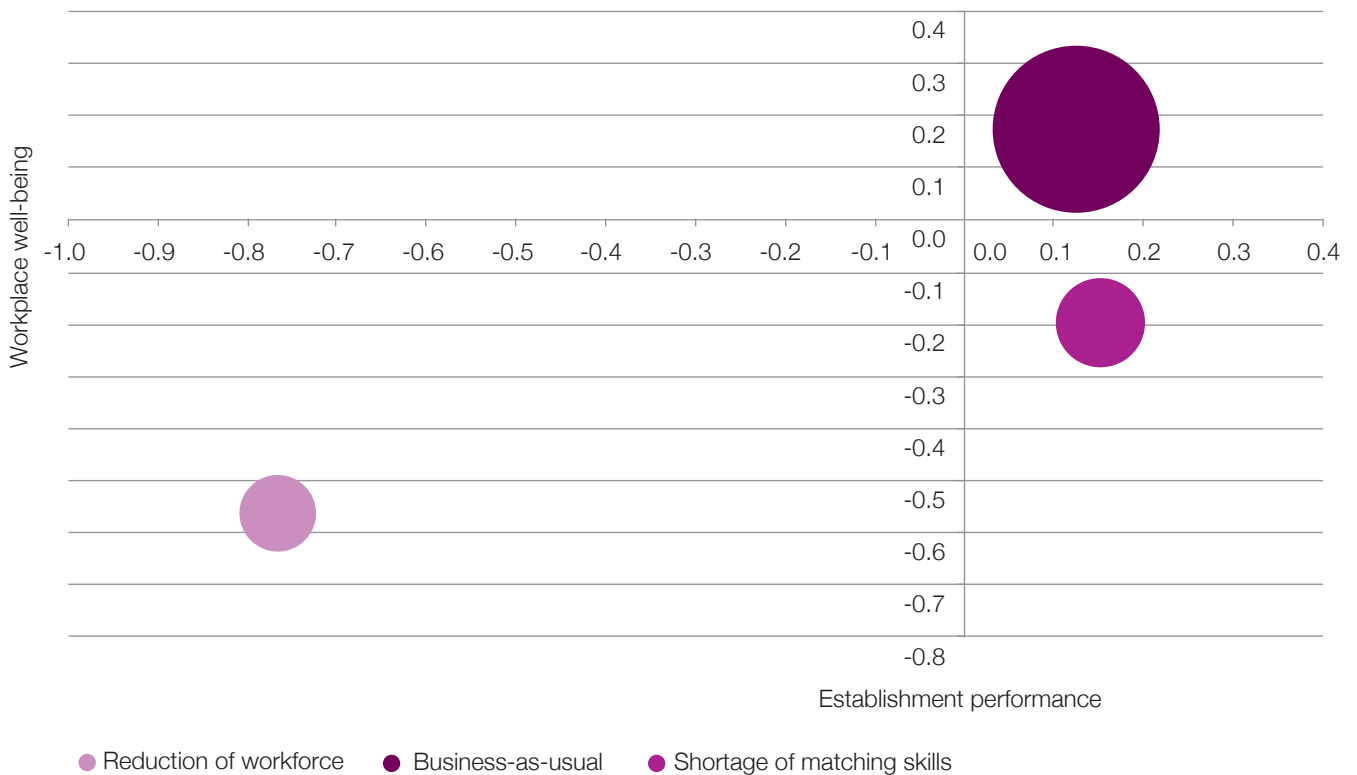
Source: ECS 2013 – Management questionnaire.

## Scores on establishment performance and workplace well-being

Figure 24 shows that the employment and recruitment types vary considerably in terms of establishment performance and workplace well-being. Workplace well-being is best in establishments classed as 'Business-as-usual' – where no major

changes in terms of employment had taken place and where no major difficulties in terms of recruitment had appeared. Workplace well-being is poorer in establishments of the 'Shortage of matching skills' type. Unsurprisingly, workplace well-being is poorest of all in establishments in the 'Reduction in workforce' type. These also have the poorest scores in terms of establishment performance; in contrast, performance is much better in the 'Business-as-usual' type and also slightly better in the 'Shortage of matching skills' type.

**Figure 24: Workplace well-being and performance by size and establishment type – employment/recruitment**



**Note:** For an explanation of the graph, please refer to Figure 14.

**Source:** ECS 2013 – Management questionnaire.

# CHAPTER 7

## Training

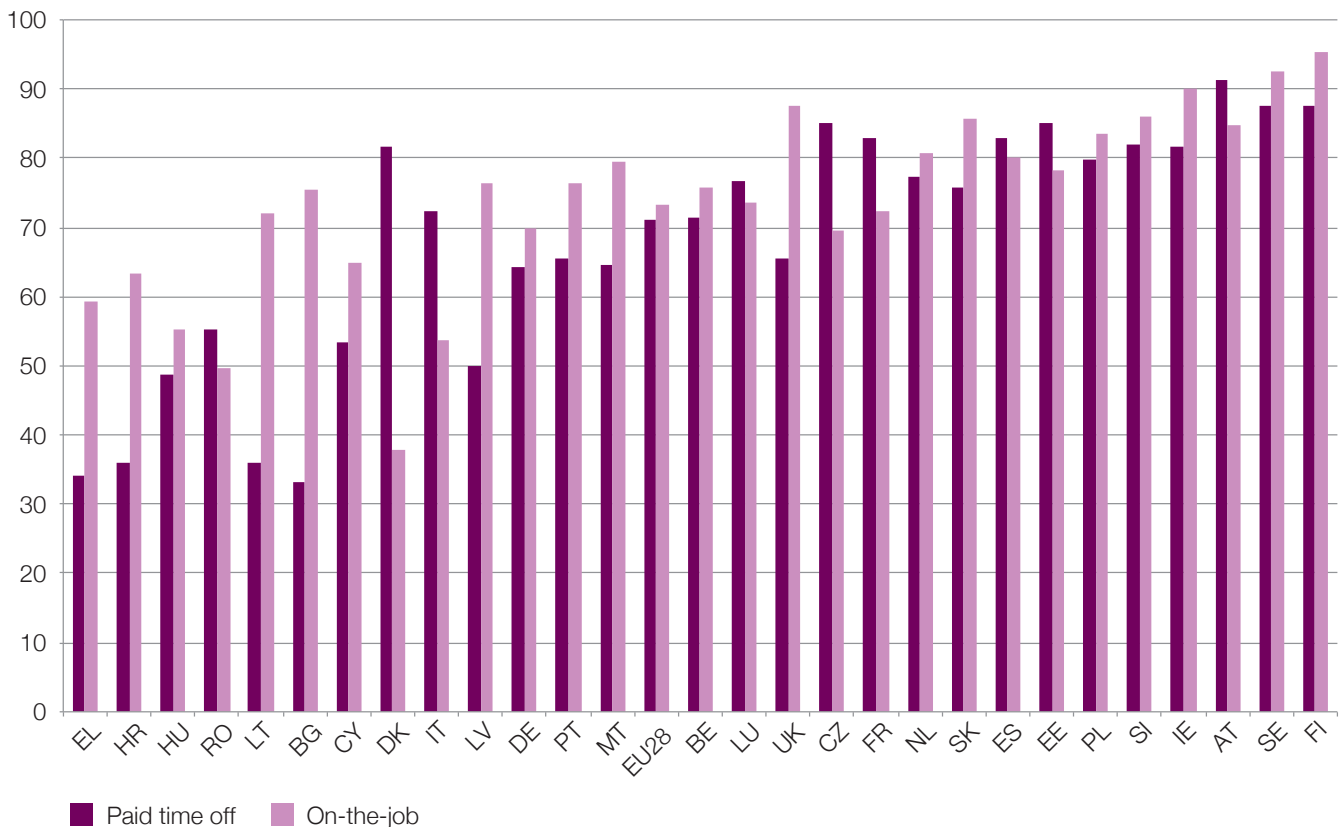
The provision of employee training is a strategic element in a company that aims to be innovative and competitive on the global market. Training is crucial to enable workers to enhance and extend their skills and hence improve their performance and productivity; it also increases their employability inside and outside the organisation.

To quantify the incidence of establishments providing training, the ECS 2013 asked managers about the proportion of employees that, in the 12 months prior to the survey, had been granted paid time off from their normal duties to undertake training or had been given on-the-job training. Based on this information, types of establishments are distinguished, for which subsequently the scores on establishment performance and workplace well-being are analysed.

### Incidence and objectives of training

The survey found that similar proportions of establishments provide on-the-job training (73%) and paid time off to their employees for training (71%). However, 13% of establishments do not provide any training at all. In terms of the type of training, it was found that 20% of establishments had provided on-the-job training to their entire workforce, while 15% had provided paid time off to the whole workforce. On-the-job training, which is company-specific and often less costly for firms, is likely to be applied in an encompassing way within the establishment. Allowing employees to take paid time off to participate in training is more likely to be applied in a selective way, targeted at specific jobs and employees.

**Figure 25: Paid time off for training and on-the-job training, provided to at least some employees, by country (%)**



**Note:** The figure shows the percentage of establishments where paid time off for training and on-the-job training is provided to at least some employees.

**Source:** ECS 2013 – Management questionnaire.

Figure 25 shows the incidence of these two types of training across the Member States. The proportion of establishments providing paid time off for training ranges from around 35% in Bulgaria and Greece to more than 90% in Austria. The proportion of establishments providing on-the-job training ranges between 38% in Denmark to 95% in Finland. Figure 25 also displays country-specific differences in the mix of training: on-the-job training is relatively more prevalent than paid time off in Bulgaria, Croatia, Greece, Latvia, Lithuania, Malta and the UK. In Denmark, Italy, the Czech Republic and France, providing paid time off is the dominant approach to training. In the other countries, the two types are used to approximately the same extent.

The ECS 2013 also asked about the objectives of the training that was provided. In the vast majority of establishments that provided training (89%), the main objective for doing so was to improve and extend the skills employees use in their current job and so enable them to better perform their normal duties. The next most important reason was to raise awareness of

health and safety issues and hazard-prevention measures (78% of establishments offering training) followed by enabling staff to rotate tasks with colleagues or to take on a different job position (both are mentioned in 51% of establishments offering training).

## Establishment types: training

A latent class analysis was carried out to identify types of establishments in terms of their approach to training. By looking at similarities in the proportion of employees provided with paid time off for training and on-the-job training, four different types of establishments were distinguished:

- 'Selective';
- 'Encompassing';
- 'No training';
- 'On-the-job only'.

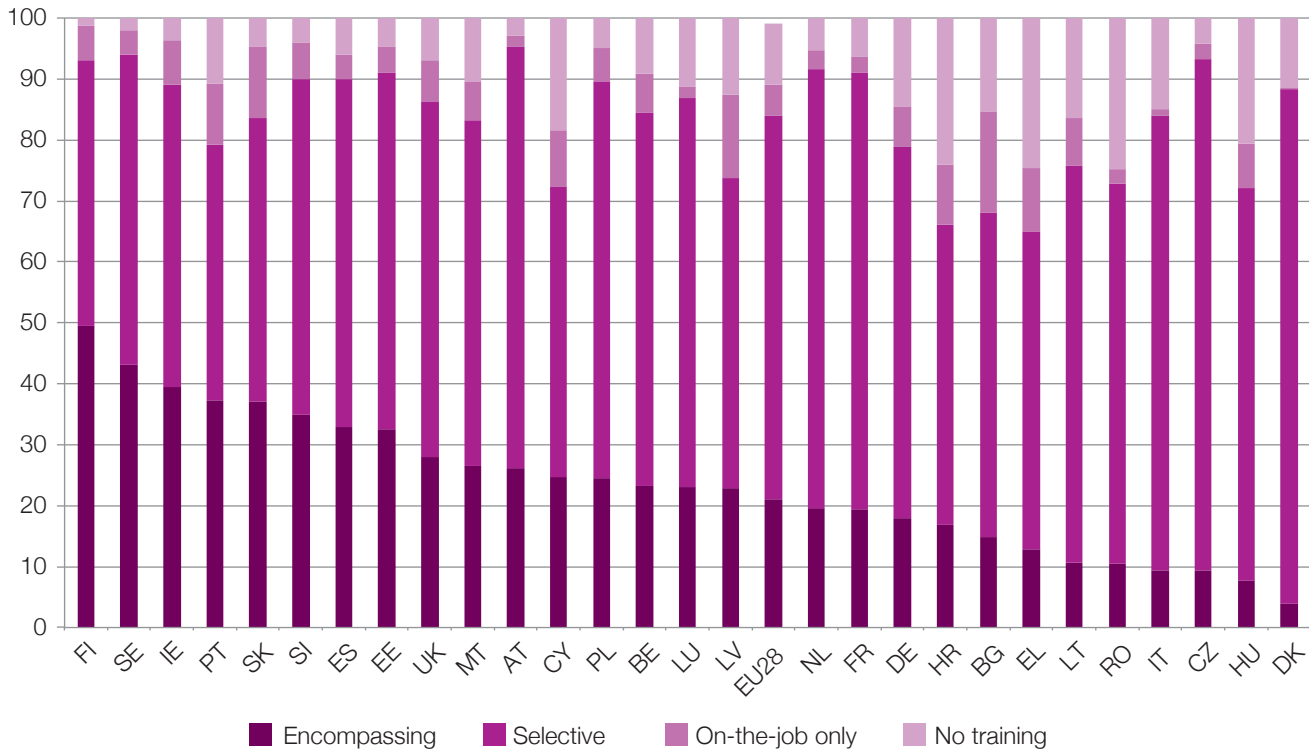
**Table 5: Profiles of establishment types – training (%)**

	'Selective'	'Encompassing'	'No training'	'On-the-job only'	EU28
<b>Group size</b>	<b>63</b>	<b>21</b>	<b>10</b>	<b>5</b>	<b>100</b>
<b>Time off provided by the employer for training (proportion of workforce)</b>					
None at all	21	7	100	83	29
Low (up to 19%)	30	15	-	15	23
Medium (20-79% )	36	33	-	1	30
High (80% or more)	14	45	-	-	19
<b>On-the-job training provided by employer (proportion of workforce)</b>					
None at all	26	-	98	-	27
Low (up to 19%)	29	-	2	-	19
Medium (20-79% )	43	14	-	2	30
High (80% or more)	2	86	-	98	24

**Note:** ■ indicates that both aspects of training are highly important in distinguishing the four establishment types.

**Source:** ECS 2013 – Management questionnaire.

**Figure 26: Prevalence of establishment training types, by country (%)**



Source: ECS 2013 – Management questionnaire.

### ‘Selective’

The majority of establishments (63%) have a selective approach to training (Table 5). They tend to offer both paid time off for training and on-the-job training, but they tend to offer it to a limited number of employees only.

### ‘Encompassing’

The second-largest type comprises 21% of establishments, which have an encompassing approach to training, offering both forms of training to a majority of their employees.

### ‘No training’

This type, comprising around 10% of establishments, provides virtually no training of any kind.

### ‘On-the-job only’

Finally, another 5% of establishments provide on-the-job training only to almost all of their employees, while not providing paid time off for training at all or providing it to a limited number of employees only.

Both indicators are highly important for the obtained classification. The four types of establishments are especially different in terms of on-the-job training provisions, but pronounced differences are also found for the proportion of workforce provided with time off for training.

## Distribution of types across structural characteristics

**Size:** The analysis shows that large establishments are slightly more likely to be of the ‘Encompassing’ type than small and medium-sized establishments. Medium-sized establishments are most likely to be of the ‘Selective’ type, while small establishments are most likely to be of the ‘No training’ type.

**Sector:** There is no clear pattern in the distribution of the training types across sectors. All sectors have a similar proportion of establishments of the ‘No training’ type. Establishments in the transport sector are slightly more likely to be of the ‘On-the-job only’ type while establishments in financial services and in other services are more often of the ‘Encompassing’ type.

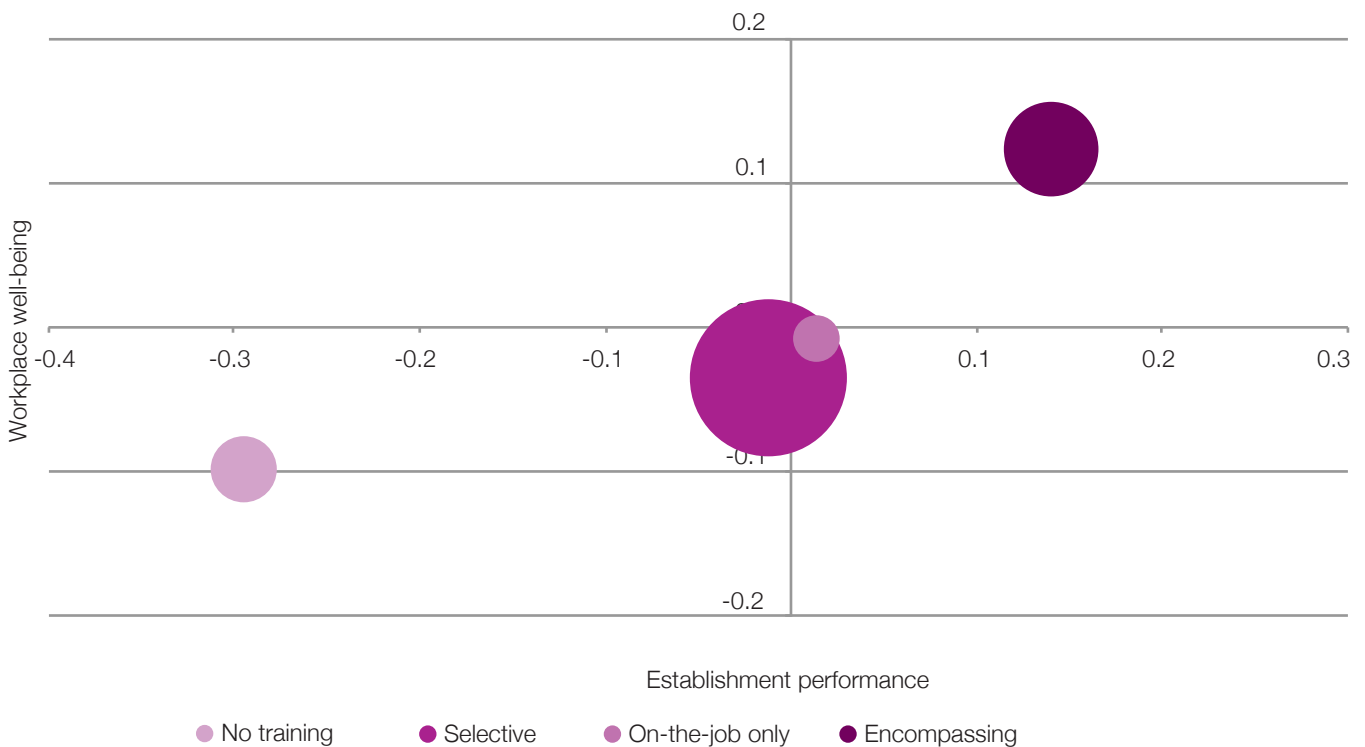
**Country:** Figure 27 shows the distribution of the four training types by country. The highest proportions of ‘Encompassing’ establishments are in Finland, Sweden and Ireland; the lowest proportions of such establishments are in Denmark, Hungary and the Czech Republic.

The proportions of establishments of the ‘Selective’ type are highest in Denmark, the Czech Republic and Italy, and lowest in Slovakia, Finland and Portugal. Establishments of the ‘On-the-job only’ type are most prevalent in Bulgaria, Latvia and Slovakia and least prevalent in Austria, Italy and Denmark. Finally, the highest proportions of establishments of the ‘No training’ type are found in Romania, Greece and Croatia. The ‘No training’ type is least prevalent in Finland, Sweden and Austria.

## Scores on establishment performance and workplace well-being

Figure 27 shows the relative scores of establishments with different approaches to training in terms of establishment performance and workplace well-being. Overall, it shows that a higher level of training coverage (the number of workers that participate in training) and a broader scope of training (the ways in which training is offered) coincide with better workplace well-being and especially with better establishment performance. Establishments of the ‘Encompassing’ type in terms of training type have the best scores on both outcomes, while establishments of the ‘No training’ type have the lowest scores. Interestingly, the difference between establishments of the ‘No training’ type and establishments of the ‘Selective’ and ‘On-the-job only’ types is particularly pronounced with regards to establishment performance, whereas the differences between these three types are much smaller in terms of workplace well-being.

**Figure 27: Workplace well-being and establishment performance by establishment type – training**



**Note:** For an explanation of the graph, please refer to Figure 14.

**Source:** ECS 2013 – Management questionnaire.

# CHAPTER 8

## Working time flexibility

The second wave of the ECS in 2009 looked in detail at working time flexibility schemes and at how working time can be organised to accommodate both employers' and employees' needs. Because the ECS 2013 covers a much wider range of topics than the ECS 2009, the number of indicators of working time arrangements was reduced to three:

- the possibility for employees to adapt the time they begin and finish their daily work;
- the possibility to accumulate overtime for time off later;
- the proportion of employees working part time.

This chapter will describe the state of play in terms of flexible working time arrangements and, where possible, show developments over time. Subsequently, types of establishments will be identified based on their approach to working time flexibility, and the scores of each of these types in terms of establishment performance and workplace well-being will be visualised.

### Flexibility in starting and finishing times

The proportion of establishments offering employees the possibility to – within certain limits – choose the time they begin and finish their working day (so-called 'flexitime'), is on the rise, as a comparison with figures from the ECS 2009 shows (Figure 29). In 2009, in 57% of establishments, flexitime was offered to at least some employees. In 2013, this figure had risen to 66%. Flexitime has increased in most EU Member States, the highest increases being found in Austria, Lithuania, Malta and Slovenia. In only a few countries has the proportion of establishments offering flexitime decreased (Bulgaria, Croatia and Poland) or remained more or less the same (Cyprus, Hungary, Latvia, Romania and the UK).

**Figure 28: Prevalence of flexitime, by country, 2009 and 2013 (%)**



Source: Management questionnaire, ECS 2009 and 2013

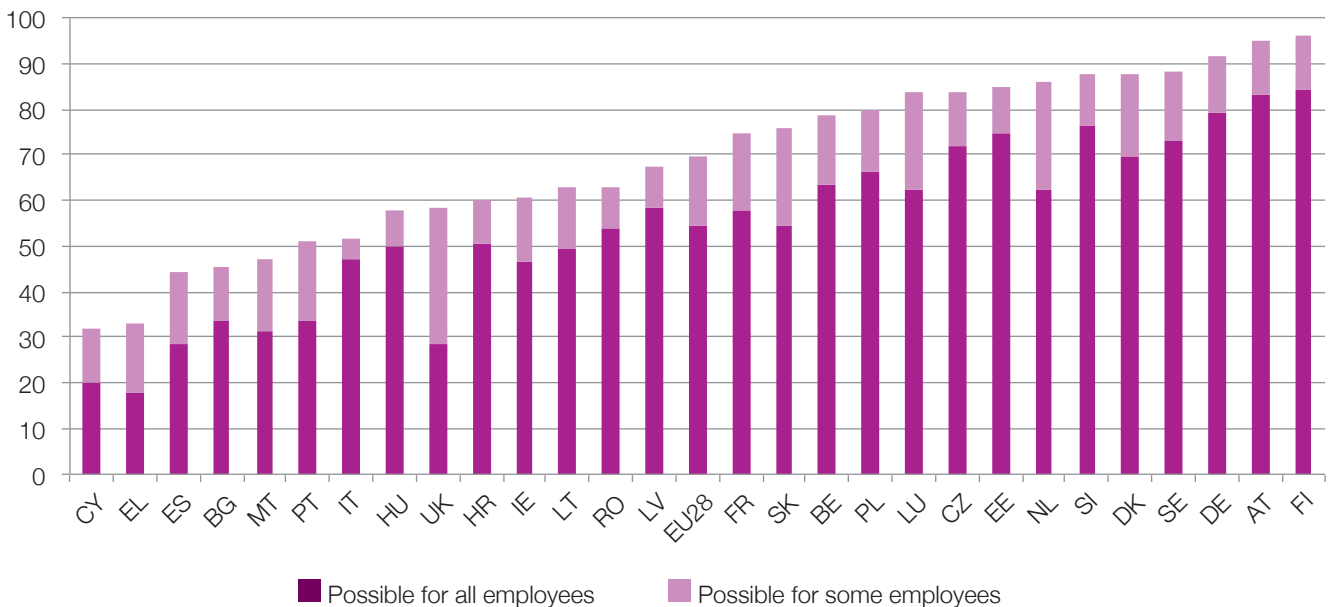
The prevalence of flexitime varies substantially between Member States, with more than 80% of establishments offering flexitime in Finland, Denmark, Sweden and Austria, and fewer than 40% doing so in Croatia, Bulgaria and Cyprus.

Whether or not establishments offer such flexibility to their employees also depends on the sector in which they operate – to a much more limited extent than country, however. Some 76% of establishments in other services and 70% of establishments in financial services offer flexitime to at least some of their employees compared to 56% of establishments in construction. Similarly, establishment size matters, but again, less so than country: 80% of large establishments offer flexitime to at least some of their employees, compared to 71% of medium-sized establishments and 64% of small ones.

## Accumulation of overtime

Many establishments go beyond offering employees flexibility in their starting and finishing times: they also allow employees to accumulate overtime, which can then be used to take time off at a later point.<sup>16</sup> In the EU28 as a whole, 54% of establishments offer this to all employees and a further 15% offer it to some employees (Figure 29). In terms of country differences, a similar pattern emerges as for flexitime: more than 90% of establishments in Finland, Austria and Germany offer some or all employees the possibility of accumulating overtime for time off, whereas this is only the case for fewer than 35% of establishments in Cyprus and Greece. Countries also vary in terms of the extent to which such schemes are selective or encompassing. The UK stands out in particular with half the establishments that offer the accumulation of overtime making these schemes available to only some employees. A relatively high prevalence of the selective implementation of schemes for the accumulation of overtime is also found in Cyprus, Greece, Malta and Spain.

**Figure 29: Possibility to accumulate overtime, by country, 2013 (%)**



Source: ECS 2013 – Management questionnaire.

<sup>16</sup> See Eurofound (2010) for an overview of working time flexibility profiles.



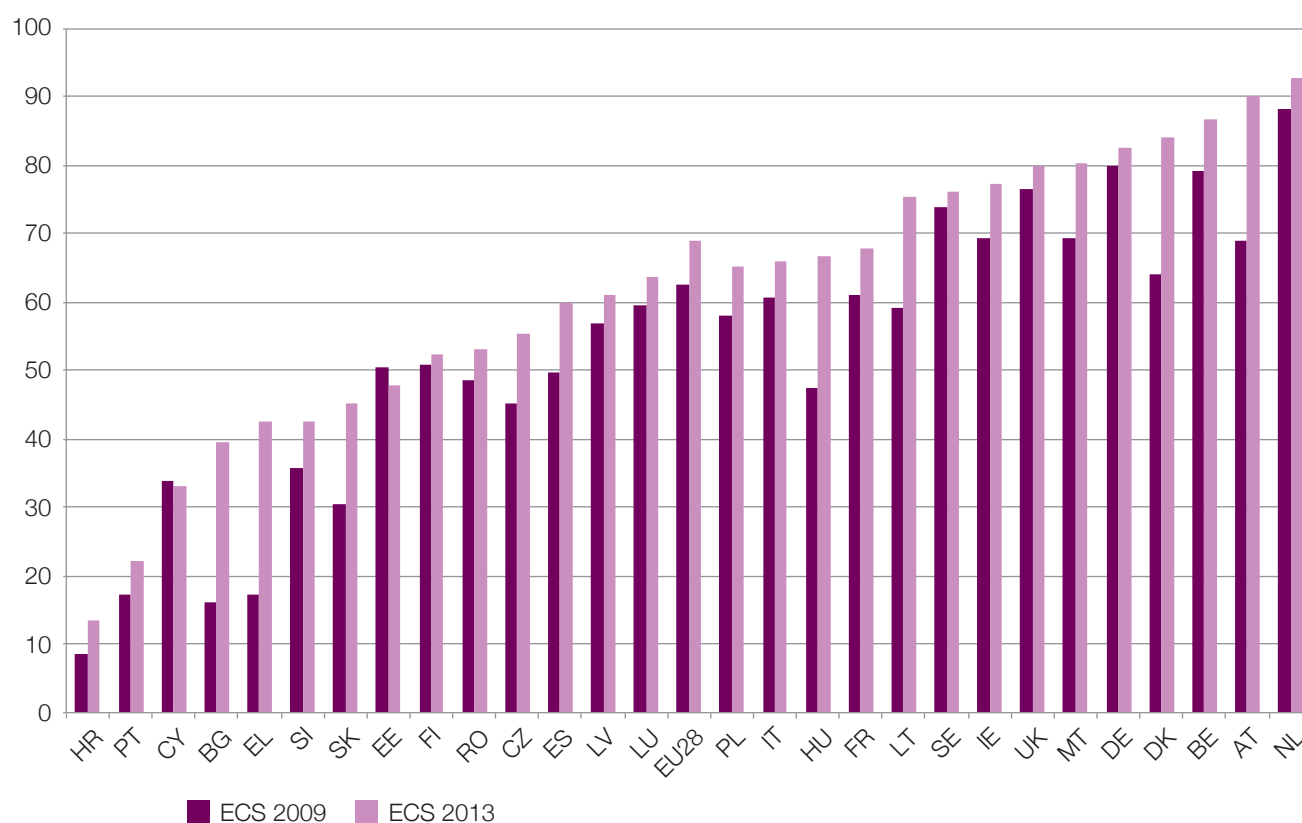
## Part-time work

As with working time flexibility, a comparison of the ECS 2009 and the ECS 2013 shows that the proportion of establishments that employ part-time workers has increased throughout Europe (Figure 31). Only in Estonia is a decrease in the incidence of part-time work found, while it has remained more or less stable in Cyprus, Finland, Germany and Slovenia. On average, in 2009, 63% of establishments had at least one

employee working part time; in 2013, the figure had risen to 69%.

In 2013, the proportion of establishments with at least one employee working part time was highest in the Netherlands (93%), Austria (90% – a dramatic increase from 69% in 2009) and Belgium (87%); it was lowest in Croatia (14%), Portugal (22%) and Cyprus (33%).

**Figure 30: Prevalence of part-time work, by country, 2009 and 2013 (%)**



**Note:** The figure shows the percentage of establishments where at least some employees work part-time.

**Source:** Management questionnaire, ECS 2009 and 2013.

## Establishment types: working time flexibility

A latent class analysis was carried out to see whether types of establishments can be distinguished on the basis of how they

combine the different types of flexible working time arrangements. The analysis identified three types:

- 'Limited';
- 'Selective';
- 'Encompassing'.

**Table 6: Profiles of establishment types – working time flexibility (%)**

	'Limited'	'Selective'	'Encompassing'	EU28
<b>Group size</b>	<b>44</b>	<b>35</b>	<b>20</b>	<b>100</b>
<b>Flexibility in starting and finishing times</b>				
None at all	60	22	1	35
Low (up to 19%)	8	23	0	12
Medium (between and 79% )	7	43	20	22
High (80% or more)	26	12	79	32
<b>Accumulation of overtime</b>				
Not possible	50	18	10	30
Possible for some employees	6	28	11	15
Possible for all employees	44	54	79	55
<b>Part-time work</b>				
None at all	43	19	25	31
Low (up to 19%)	40	56	46	47
Medium (between and 79% )	14	23	27	20
High (80% or more)	3	2	2	3

**Note:** ■ indicates moderate importance in distinguishing types and ■ low.

**Source:** ECS 2013 – Management questionnaire.

## ‘Limited’

Those establishments that do allow for it are relatively likely to make it available to all employees. A large proportion of the establishments of the ‘Limited’ type (43%) do not have any employees that work part-time.

## ‘Selective’

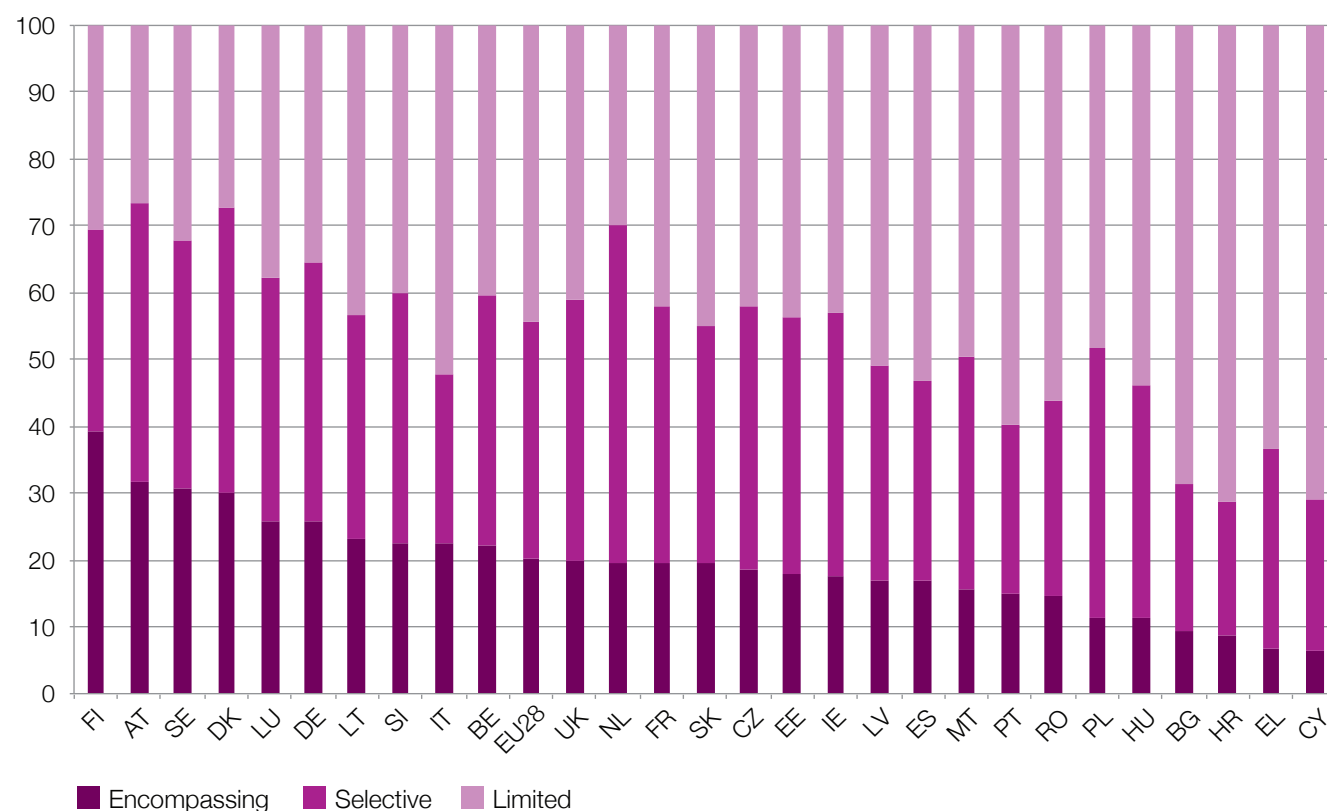
A second type comprises 35% of establishments, which have a selective approach to working time flexibility. Although most of these establishments offer flexitime (78%), only a small proportion (12%) offers it to 80% or more of the workforce. Similarly, allowing for the accumulation of overtime is fairly widespread (82%), but the proportion of establishments only offering this to some employees is relatively large (28%). Finally, most establishments of the ‘Selective’ type have at least some part-time staff (81%), but the proportion of establishments in which the proportion of part-time workers does not exceed 20% is comparatively large (56%).

## ‘Encompassing’

Finally, 20% of establishments have an encompassing approach to working time flexibility. Of these, 79% of establishments have a flexitime scheme in place for more than 80% of employees. Likewise, in 79% of establishments the possibility to accumulate overtime is open to all employees and in another 11% it is open to some. ‘Encompassing’ establishments are also likely to have employees on a part-time basis, 75% doing so (only slightly less than within the ‘Selective’ type), and in 29% of establishments the proportion of part-time workers exceeds 20%.

Table 6 shows that differences between classes are larger for flexibility in starting and finishing times and the accumulation of overtime for time off, than for part-time work. This implies that class membership is of moderate importance for explaining variation between establishments in the extent to which they offer flexitime and the possibility to accumulate overtime for time off.<sup>17</sup> It is of only low importance in explaining variation in the prevalence of part-time work – indicating that part-time work is of a slightly different nature than the other practices with regard to working time flexibility.

**Figure 31: Working time flexibility types, by country (%)**



Source: ECS 2013 – Management questionnaire.

<sup>17</sup> The principle of latent class analysis is the identifying of unmeasured class membership among subjects using categorical and/or continuous observed variables. Class membership can provide a better or worse explanation for variation in each of the variables in the model.

## Distribution of types across structural characteristics

**Size:** The ‘Limited’ type is most prevalent in small establishments, whereas large and medium-sized establishments are most likely to be of the ‘Selective’ type. Size classes do not differ much in terms of prevalence of the ‘Encompassing’ type. As larger establishments are likely to be more heterogeneous in terms of job types, working time flexibility might be more suitable for some job types than for others; management in larger establishments might therefore be more inclined to tailor the availability of working time flexibility to employees in some jobs rather than all jobs. In smaller, more homogeneous, establishments, the decision to implement working time flexibility would more likely be between ‘all or nothing’.

**Sector:** Construction stands out with a relatively high proportion of establishments of the ‘Limited’ type. The ‘other services’ sector has a relatively high proportion of establishments of the ‘Encompassing’ type.

**Country:** The highest proportions (around 70%) of establishments with ‘Limited’ working time flexibility are found in Croatia, Cyprus and Bulgaria (Figure 31); the lowest proportions (around 30%) of such establishments are found in Austria, Denmark and the Netherlands. The ‘Selective’ type of establishment, on the other hand, is most prevalent in Austria, Denmark and the Netherlands (over 40%), and least prevalent

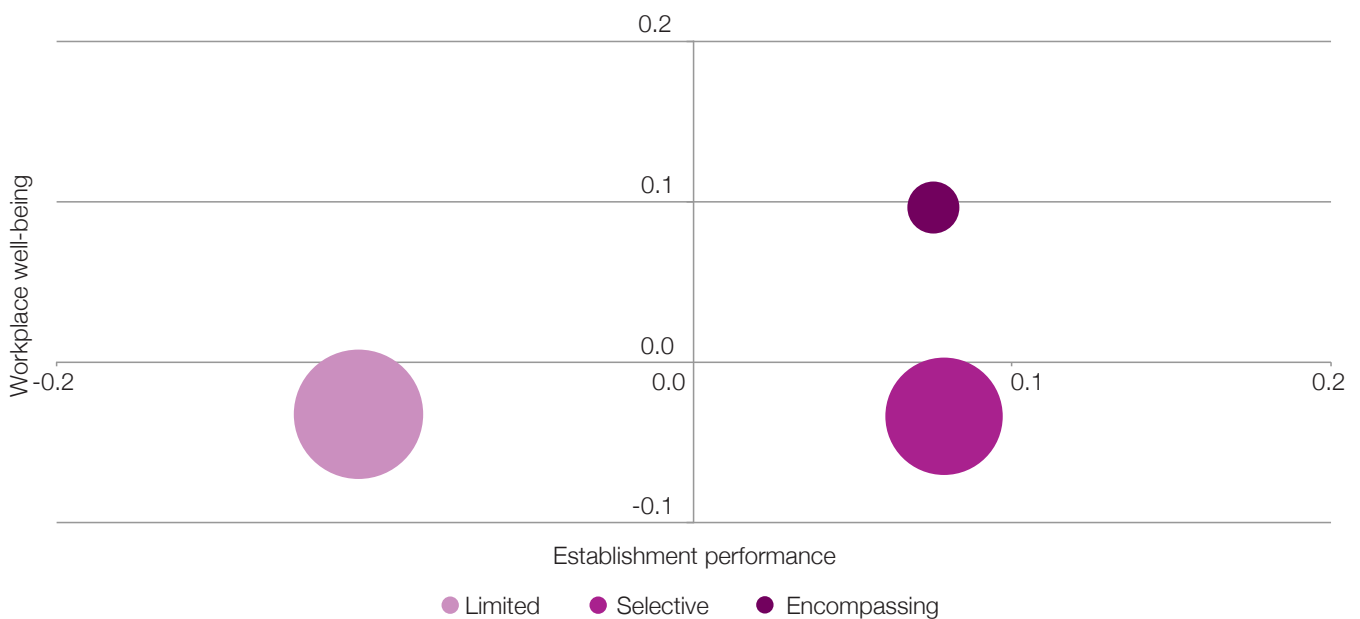
in Croatia, Bulgaria and Cyprus (around 20%). Finally, establishments offering ‘Encompassing’ working time flexibility are found most in Finland, Austria, Sweden and Denmark (over 30%), and least in Cyprus, Greece, Croatia and Bulgaria (fewer than 10%).

## Scores on establishment performance and workplace well-being

Figure 32 presents scores for the three types of establishments on the two outcome indices representing workplace well-being and establishment performance.

As might be expected, establishments belonging to the ‘Limited’ working time flexibility type have the lowest scores on both outcome indicators. In contrast, establishments of the ‘Encompassing’ type score highly both in terms of workplace well-being and establishment performance. Interestingly, establishments of the ‘Selective’ type have similarly high scores on performance as establishments of the ‘Encompassing’ type but their score for workplace well-being is similar to that of establishments of the ‘Limited’ type. Although these differences on the well-being index are not very large, it shows that a selective application of working time flexibility is not associated with high scores of workplace well-being, whereas an encompassing approach is.

**Figure 32: Workplace well-being and performance by establishment type – working time flexibility**



**Note:** For an explanation of the graph, please refer to Figure 14.

**Source:** ECS 2013 – Management questionnaire.

## CHAPTER 9

# Variable pay

'Variable pay' is a general term for different components of pay that supplement basic pay and may vary over time in their amount. An important distinction should be made between performance-related pay and financial participation.

**Performance-related pay:** This is linked to the performance of either an individual or a group of workers. It can take the form of 'payment by results', where results are easy to observe and measure (for instance, a completed sale, number of contracts signed, or the number of units assembled). Alternatively, it can be linked to individual performance following management appraisal. A related form is performance-related pay linked to the performance of a team, working group or department, or 'group-based performance-related pay'.

**Financial participation:** This is linked to the success of the company as a whole. Two broad forms are distinguished. In 'profit-sharing schemes' employees get a share of a company's profit; these extra payments can vary from year to year. In another form, 'employee share ownership' (ESO) schemes, employees are granted company shares as part of their remuneration. Boundaries between these two forms are sometimes blurred.

There are different reasons why management might decide to implement variable pay schemes. It can help companies achieve greater wage flexibility by more closely linking their wage bills to productivity and making them more responsive to economic fluctuations. This strategy often encounters opposition from employees and their representatives, as it might put overall wages at risk. Alternatively, companies might use variable pay as a means to stimulate extra effort or reward good performance. Performance-based pay can also be used as a tool to recruit high-performing individuals. Financial participation schemes can be used to build a relationship with employees, promoting a sense of 'ownership' among them, and thereby stimulating engagement with the company in the medium and long term.

Analysis of findings from the ECS 2009 (Eurofound, 2011c) found that performance-related pay is likely to occur 'within' the collective employment relationship: that is, performance-related pay is more likely to be in place in establishments that have a collective wage agreement and where there is employee

representation, which implies that variable pay schemes are not outside of the reach of social dialogue. The research also showed that employee representatives are more likely to support performance-related pay schemes where they have been involved in the set-up of the scheme from the beginning.

The ECS 2013 contained a number of questions to capture the incidence of variable pay schemes, both in terms of performance-related pay (looking at payment by results, variable pay based on individual performance and variable pay based on team/group performance) and in terms of arrangements for financial participation (profit-sharing and share ownership). This chapter first briefly describes the incidence of these various variable pay schemes, after which types of establishments are distinguished based on their approach to variable pay. The chapter goes on to describe the distribution of these types across establishments of different sizes, in different sectors and across countries, before showing how these types score in terms of establishment performance and workplace well-being.

## Incidence of variable pay schemes

Almost two-thirds of establishments (63%) use some kind of variable pay. Performance-based pay schemes are much more prevalent than financial participation schemes. The most prevalent form of variable pay is pay based on individual performance – assessed through some form of management appraisal; this covers at least some employees in 43% of establishments. One-third of establishments (34%) use pay that is contingent on delivering particular results – this could be piece rate pay, but also provisions, brokerages or commissions. Another 25% of establishments make use of group-based performance-related pay. In terms of financial participation, 30% of establishments use profit-sharing schemes, while share-ownership schemes are in place in only a small minority of establishments (5%).

The various forms of variable pay are more often used in combination than in isolation: 22% of establishments use only one form of variable pay, but 41% have two or more forms in place.

## Establishment types: variable pay

A latent class analysis was carried out to see whether types of establishments could be identified by looking at similarities in the way establishments combine the various types of variable pay. Three types of establishments could be distinguished:

- 'Limited';
- 'Moderate';
- 'Extensive'.

### 'Limited'

Almost half of all establishments (46%) have no or hardly any variable pay schemes (Table 7).

### 'Moderate'

An almost equally large proportion of establishments (44%) use a moderate range of variable pay schemes, of which the majority are performance-related pay schemes. In a majority of these establishments, pay based on results and on management appraisal of individual performance is present. On the other

**Table 7: Profiles of establishment types – variable pay schemes (%)**

	'Limited'	'Moderate'	'Extensive'	EU28
<b>Group size</b>	<b>46</b>	<b>44</b>	<b>10</b>	<b>100</b>
<b>Payment by results</b>				
Yes	8	52	75	34
No	92	48	25	67
<b>Individual performance following management appraisal ('bonuses')</b>				
Yes	9	69	85	43
No	91	31	15	57
<b>Group performance-based pay</b>				
Yes	2	37	80	25
No	98	63	20	75
<b>Profit-sharing</b>				
Yes	8	37	96	30
No	92	63	4	70
<b>Share-ownership</b>				
Yes	1	5	27	5
No	99	95	73	95

**Note:** ■ indicates high importance in distinguishing types and ■ moderate.

**Source:** ECS 2013 – Management questionnaire.

hand, pay based on group performance and profit-sharing schemes is less frequent (for both forms, 37% of establishments in this group). In addition, share-ownership schemes are quite rare, being present in only 5% of cases.

**‘Extensive’**

A small proportion of establishments (10%) offer an extensive range of variable pay schemes to their employees. They are very likely to have performance-related pay schemes in place: 75% have pay based on results, 85% pay to reward individual performance and 80% pay to reward group performance. In addition, they show a much stronger focus on financial participation schemes: almost all establishments in this group (96%) have profit-sharing schemes in place and 27% have share-ownership schemes.

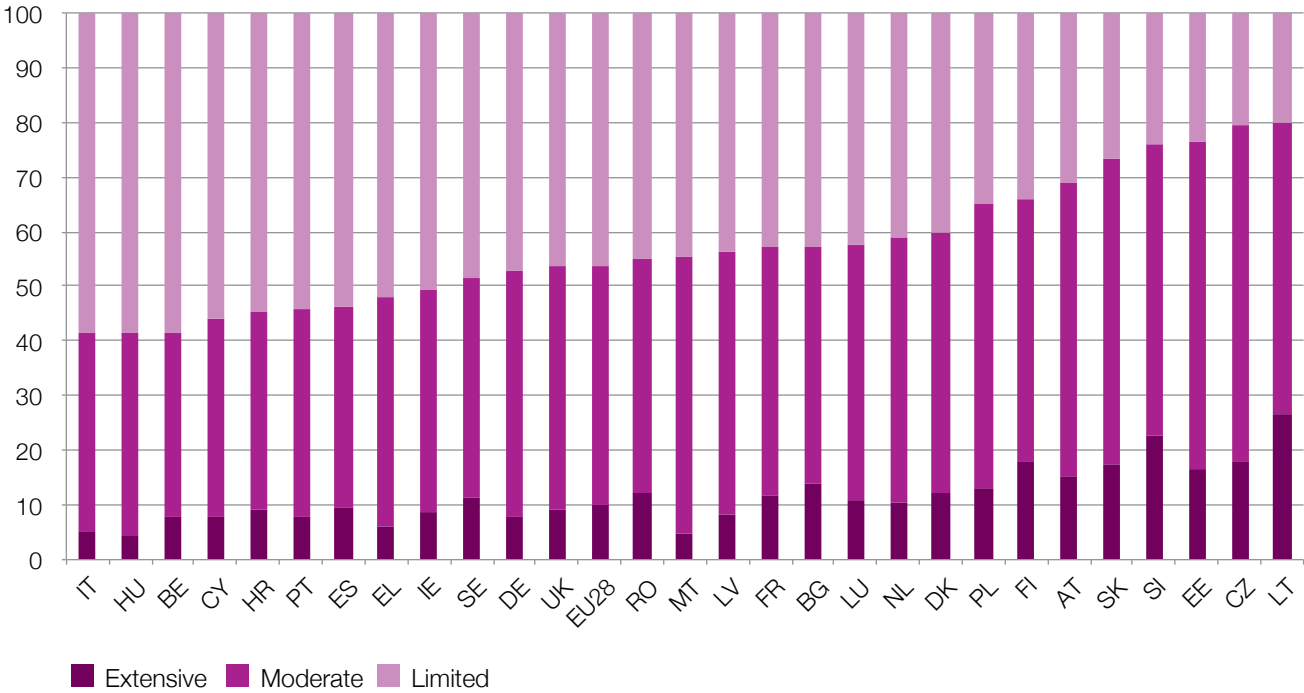
Four of the five analysed characteristics are highly important for the classification. The three types of establishments differ considerably in terms of payment by results, availability of individual and group performance-based pay and profit-sharing schemes. The groups are somewhat less distinct in terms of the presence of share-ownership policies, probably as a result of the limited variation of this policy, used as it is in very few establishments.

**Distribution of types across structural characteristics**

**Size:** The incidence of variable pay schemes is clearly related to establishment size: 49% of small establishments have no variable pay scheme in place (and hence are of the ‘Limited’ type), compared with 33% of medium-sized and 25% of large establishments. The prevalence of the ‘Moderate’ type does not differ much between size classes, but the ‘Extensive’ type is much more prevalent in large establishments (22%) than in medium-sized and small ones (16% and 9% respectively).

**Sector:** The transport sector stands out with a relatively low prevalence of variable pay schemes (54% of establishments are of the ‘Limited’ type). On the other hand, variable pay schemes are relatively common in financial services (48% of establishment are of the ‘Moderate’ type and 13% are of the ‘Extensive’ type).

**Figure 33: Establishment types – variable pay, by country (%)**



Source: ECS 2013 – Management questionnaire.

**Country:** Establishments in Italy, Hungary, Belgium and Cyprus are the least likely to have implemented any variable pay schemes, with more than 55% of establishments being of the 'Limited' type. In contrast, in Lithuania, the Czech Republic and Estonia, around only 20% of establishments are of this type (Figure 33).

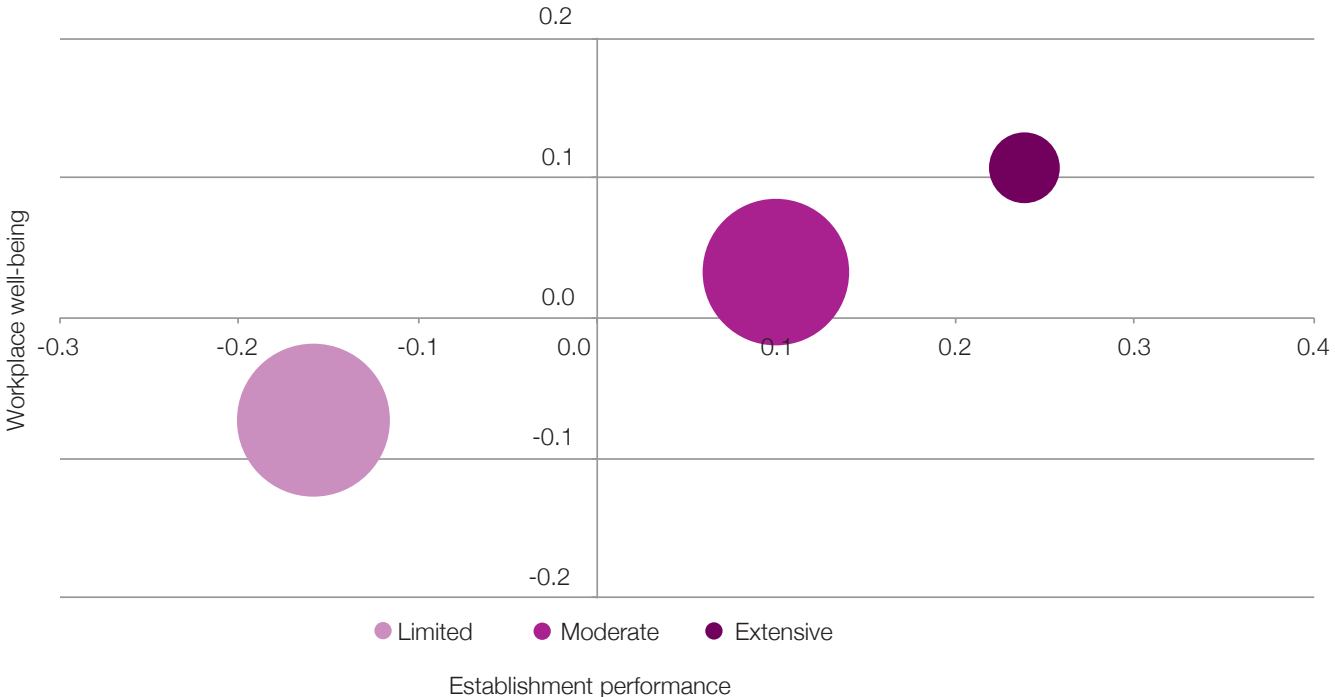
Establishments of the 'Moderate' type – in terms of variable pay schemes – are most prevalent in the Czech Republic, Estonia and Slovakia (over 55% of establishments), and least prevalent in Cyprus, Italy and Belgium (around 35% of establishments). Establishments of the 'Extensive' type are most common in Lithuania and Slovenia (over 20% of establishments) and least prevalent in Hungary and Malta (fewer than 5% of establishments).

## Scores on establishment performance and workplace well-being

Figure 34 shows the relative scores on establishment performance and workplace well-being for each of the types of establishment in terms of their approach to variable pay. The figure shows that as the breadth of the variable pay schemes offered increases, so too do the scores for establishment performance and workplace well-being. Establishments of the 'Limited' type have below-average scores on both outcome indices, whereas establishments of both the 'Moderate' and the 'Extensive' type score above average, with establishments of the 'Extensive' type clearly showing the best results.



**Figure 34: Workplace well-being and establishment performance by establishment type – variable pay schemes**



**Note:** For an explanation of the graph, please refer to Figure 14.  
**Source:** ECS 2013 – Management questionnaire.

# MAIN FINDINGS

## Human resource management

### Recruitment, employment and career development

**Incidence of different types of employment contracts:**

In the majority of establishments (78%), more than 80% of employees are working on an open-ended contract. Country variation is substantial in this respect, with the incidence ranging between 54% in the Netherlands and 93% in Austria.

**Incidence of performance appraisal:** 70% of establishments have a performance appraisal system in place for at least some of their employees. There are considerable differences between countries: in Denmark 95% of establishments have such a scheme in place, compared to 29% in Croatia.

**Types of establishment:** Three types of establishment are distinguished on the basis of their employment and recruitment policies: the biggest one is the 'Business-as-usual' type where no major change had taken place in terms of employment and no difficulties were encountered in recruitment (67% of all establishments). In the second type – 'Shortage of matching skills' (comprising 19%) – difficulty in recruitment is the most distinctive characteristic. In the third type, 'Reduction in workforce', recruitment policies are mainly shaped by the need to let staff go (14% of establishments).

**Distribution of the types:** Large establishments are more likely to be of either the 'Shortage of matching skills' or 'Reduction in workforce' types. The construction sector is overrepresented among the establishments in the 'Reduction of workforce' type; this type is also more prevalent in some of the countries hit hardest by the crisis: Cyprus, Greece, Spain and Portugal, but also Slovenia and Italy.

**Scores on performance and well-being:** Establishments of the 'Business-as-usual' type have higher scores on both measures. The 'Shortage of matching skills' type has lower workplace well-being scores and the 'Reduction in workforce' type has the lowest scores for both workplace well-being and establishment performance.

### Training

**Incidence of different types of training:** 71% of establishments provide paid time off for training to at least some of their employees; 73% offer on-the-job training.

**Types of establishments:** There are four establishment types in terms of provision of training: 'No training' (10% of all establishments), 'On-the-job training only' (5%), 'Selective', in which establishments offer training to a limited number of employees only (63%) and 'Encompassing', in which training with a broad focus involves the majority of the workforce (21%).

**Distribution of the types:** Large establishments are most likely to be of 'Encompassing' type in terms of their approach to training, medium-sized establishments are most likely to be of the 'Selective' type and small establishments are most likely to be of the 'No training' type. There is no substantial difference in the prevalence of different types of establishments across economic sectors. Two Scandinavian countries – Finland and Sweden – have the highest proportions of the 'Encompassing' type of establishment and the lowest incidence of the 'No training' type. On the other hand, the 'No training' type is most prevalent in Romania, Greece and Croatia while the 'Encompassing' type is least common in Denmark, Hungary and Czech Republic.

**Scores on performance and well-being:** The broader the range of training options and the wider their coverage, the higher the scores for both workplace well-being and establishment performance. The differences are greatest for establishment performance.

### Working time flexibility

**Incidence of working time flexibility:** European establishments are making increasing use of both flexible working time during the day ('flexitime') and part-time work. The incidence of flexible working time arrangements differs considerably across countries. Working time flexibility is more common in

northern Europe than in south-eastern or Mediterranean Europe. Differences between size classes and sectors are much less pronounced.

**Types of establishments:** Three types of establishments were identified, in terms of the extent to which they make working time flexibility available. ‘Limited’ – the most widespread type, comprising 44% of all establishments – only has limited working time flexibility schemes. In the ‘Selective’ type (35% of establishments), working time flexibility is offered only to selected groups of employees. In the ‘Encompassing’ type (20%), working time flexibility is made available to a broad range of workers

**Distribution of the types:** Larger establishments are more likely to be of the ‘Selective’ types. However, size classes do not differ much in terms of prevalence of the ‘Encompassing’ type. Establishments in the construction sector are most likely to be of the ‘Limited’ type in terms of working time flexibility, while establishments in the other services sector are most likely to be of the ‘Encompassing’ type. Country differences are pronounced, with around 70% of establishments offering limited working time flexibility in Croatia, Cyprus and Bulgaria, and around 30% of establishments being of this type in Austria, Denmark and the Netherlands.

**Scores on performance and well-being:** Establishments of the ‘Encompassing’ type have higher scores on both workplace well-being and establishment performance. Establishments of the ‘Selective’ type score higher only in terms of performance.

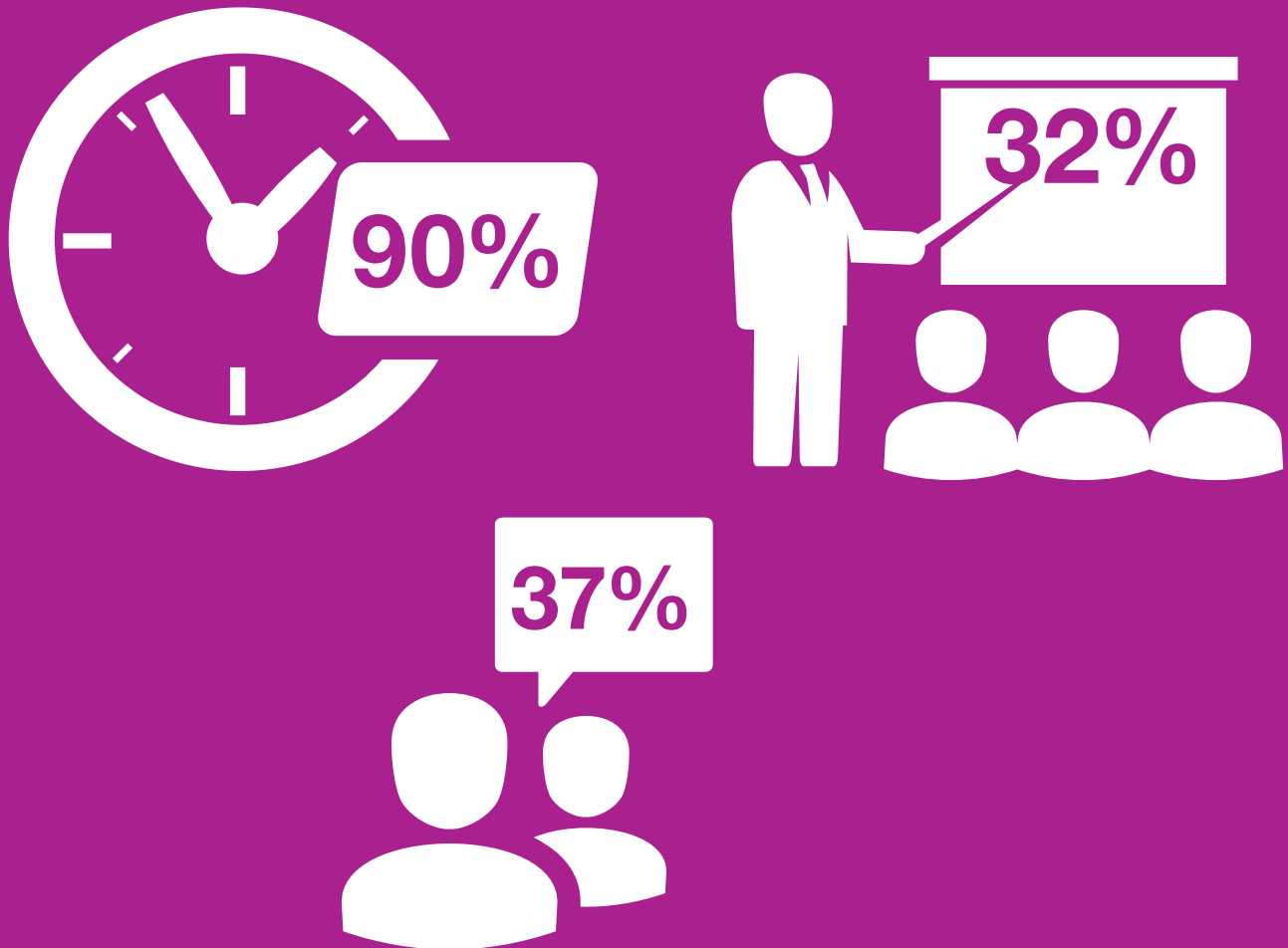
## Variable pay schemes

Incidence of variable pay schemes: Across the EU28, almost two-thirds of establishments (63%) use some kind of variable pay. Variable pay schemes are more often applied in combination with each other, rather than in isolation. Performance-related pay schemes are more prevalent than financial participation schemes.

**Types of establishments:** In terms of variable pay, there are three types of establishment: one with a ‘Limited’ range of schemes in place (46% of establishments); one with only a ‘Moderate’ range of mainly performance-related variable pay schemes (44% of establishments); and one that applies an ‘Extensive’ range of schemes covering both performance-related and financial participation schemes (10%).

**Distribution of the types:** The prevalence of variable pay schemes increases with establishment size. It is comparatively low in the transport sector (where 54% are of the ‘Limited’ type) but comparatively high in financial services (where 48% are of the ‘Moderate’ type and 13% are of the ‘Extensive’ type). There is a lot of country variation: more than 55% of establishments in Italy, Hungary, Belgium and Cyprus are of the ‘Limited’ type, compared to only around 20% in Lithuania, the Czech Republic and Estonia.

**Scores on performance and well-being:** A greater presence and breadth of variable pay schemes coincides with higher scores on both outcome measures.



**The vast majority of employee representatives (almost 90%) report having sufficient time to carry out their duties, 32% received training and 37% have access to external advice**

# Employee participation and social dialogue



In his classic 1970 work *Exit, voice and loyalty*, Albert Hirschman argues that when employees disagree with management decisions, they can resort to passive disagreement (that is, 'agree to disagree'); they can exit the organisation; or they can try to voice their concerns to try to improve their situation (Hirschman, 1970). Of course, the latter option, when appropriately facilitated, is preferable both from the company and employee perspective. This section comprises two chapters that look at the various ways in which employees are able to voice their ideas and opinions, as well as the extent to which that voice is heard by management.

In *Workplace social dialogue in Europe* (Eurofound, 2012a), it is argued that social dialogue could be seen as including any representative voice (such as a works council or trade union), any direct voice, and any combination of these. Direct participation has recently come back into policy focus as part of the debate on both workplace innovation and high-performance (or high-involvement) work systems; however, indirect participation or social dialogue – in the form of employee representation by trade unions or works councils – is an explicit, integrated element of the European social model (Eurofound, 2011a). A further difference is that direct employee participation can take place on both an individual and a collective level, whereas indirect, representative employee participation by definition takes place at the collective level. It could be argued, therefore, that workplace social dialogue has a wider importance than the mere provision of a collective 'voice' for employees, as it harnesses the broader concept of pluralism in society by promoting solidarity (Guest, 1987).<sup>18</sup>

Both forms of voice, it has been suggested, positively affect the quality of work. In *Work organisation and employee involvement*

*in Europe* (Eurofound, 2013a), it is argued that having employees participate in decision-making may help motivate people to make full use of their abilities, further develop their skills and take the initiative in those cases where detailed managerial control is not feasible. They distinguish between task discretion and organisational participation as different aspects of direct employee participation. Questions from the ECS 2013 on task discretion have been covered in Chapter 5; Chapter 10 will cover the questions on organisational participation. The management questionnaire contained a wide range of questions on the instruments that can be put in place to facilitate direct participation, the extent to which employees participate directly, and the extent to which management supports direct participation. The questionnaire also captured the presence of various structures of workplace social dialogue, and management attitudes towards direct and indirect employee participation. The employee representative interview covered the resources available to the employee representation, the level of involvement and influence of the employee representation, and the attitudes of the employee representatives towards management; it also contained questions about the interplay between direct and indirect participation. This enables a rich description of practices for direct and indirect employee voice, as well as an analysis of the extent to which forms of direct and indirect participation can reinforce each other, or crowd each other out.

The facilitation of, and receptiveness to, employee voice through practices of direct employee participation are the topics of Chapter 10. Workplace social dialogue – defined as all forms of indirect, representative employee participation at the establishment level – is the topic of Chapter 11.

<sup>18</sup> This holds true more for trade-union based representation, as trade unions tend to have a more active role outside of the workplace, but works councils also are institutional structures based on solidarity.

### Box 3: Capturing the decision-making processes

The aim of the ECS 2013 was to capture actual workplace practices with regard to employee participation in decision-making rather than the formal policy or the general approach in this regard. The approach followed in the questionnaire was to first ask managers and employee representatives if any of a range of changes or discussions had taken place at the establishment. If they indicated that more than one of those changes or discussions had taken place, they were asked which of them was the most important. Subsequently, they were asked a set of questions about the decision-making process with regard to this sole or most important change or discussion. This box shows the findings with regard to the incidence and importance of these changes or discussions. The findings with regard to these decision-making processes are discussed in Chapters 10 and 11.

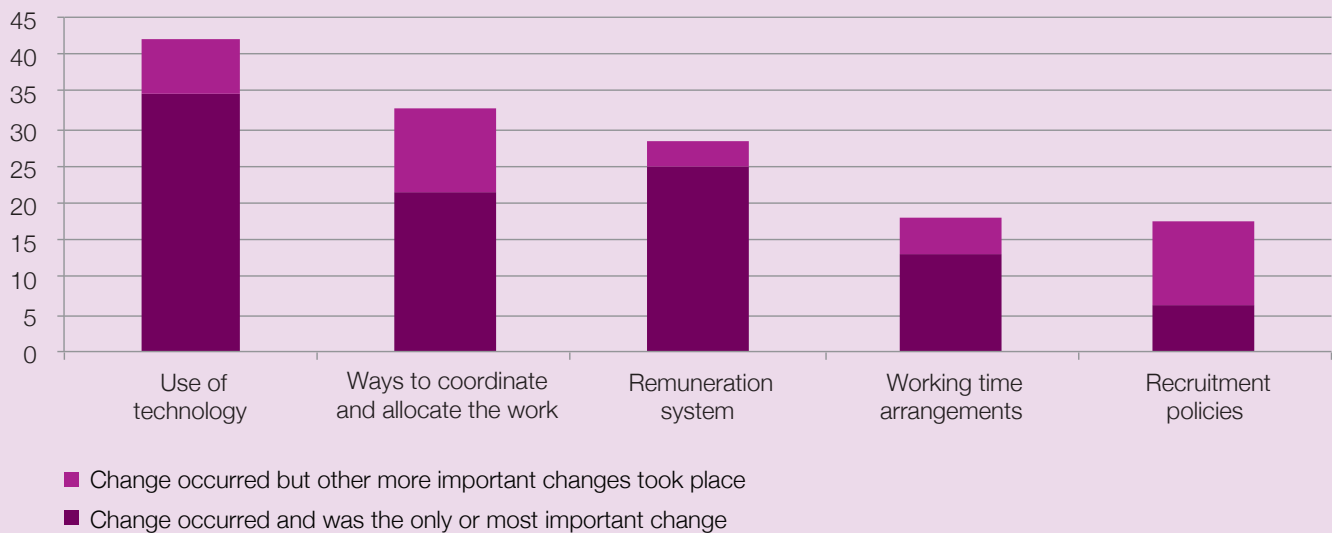
Managers were asked whether changes had been made, in the three years prior to the survey, in the following aspects of work:

- the remuneration system;
- the use of technology;
- the ways in which work is coordinated and allocated to employees;
- recruitment policies;
- working time arrangements.

If managers indicated that more than one of these changes had been made, they were subsequently asked which of these changes had had the greatest implications for the employees. Overall, 38% of managers reported that no changes had taken place in any of the domains, 22% reported a single change and 40% reported changes in two or more domains.

Figure 35 shows the prevalence and importance of the reported changes.

**Figure 35: Prevalence of change and importance to employees (%)**



Source: ECS 2013 – Management questionnaire.



Changes in the use of technology were most frequently reported, followed by changes in the ways that work is coordinated and allocated to employees, changes in the remuneration system, changes in the working time arrangements, and changes in recruitment policies. However, the ranking of the most significant changes for employees differs somewhat (the blue part of the column): whereas changes in the use of technology were both the most prevalent and considered the most important, in terms of importance second place was taken by changes in the remuneration system.

Employee representatives were asked whether in the year preceding the survey any major decisions had been taken with regard to:

- the organisation of work processes;
- recruitment and dismissals;
- occupational health and safety;
- training and career development;
- working time arrangements;
- restructuring measures.

If the representative indicated that major decisions had been taken with regard to one or more of these topics, they were asked which of these decisions had had the greatest impact on working conditions in the establishment. Overall, 28% of employee representatives reported that no major decisions had been taken on any of the topics, 13% reported a single major decision and 59% reported that major decisions had been taken on two or more of the topics.

The reported incidence of major decisions ranges between 33% for working time arrangements and 45% for the organisation of work processes (Figure 36).

**Figure 36: Prevalence of key decisions and importance to employees (%)**



Source: ECS 2013 – Employee representative questionnaire.

Both management and employee representative were asked whether the involvement of the employee representation in the decision-making on this ‘most important’ issue reflected common practice in the establishment in general; in the vast majority of cases (90%), both parties said that it did. This implies that employees are involved to a broadly similar extent in making decisions on each of the changes, regardless of whether or not this change was deemed the most important.



# CHAPTER 10

## Direct employee participation

This chapter focuses on the direct participation of employees. It looks specifically at the ways in which employees can participate directly in organisational decision-making, the extent to which management takes the employee's views into account in its decision, and management attitudes toward direct employee participation.

The chapter first describes the extent to which instruments to facilitate direct employee participation are deployed in establishments, the quality of the participation (as assessed by management and by the employee representation) and the attitudes of both management and employee representation towards direct employee participation. It then proceeds to distinguish types of establishments on the basis of their approach and attitudes towards direct employee participation. (The presence of financial participation schemes will also be taken into account, since an interaction can be expected between the extent to which employees are given a voice and the extent to which employees can expect to gain from contributing to organisational performance by providing strategic input.) Finally, the chapter will show the way these types are

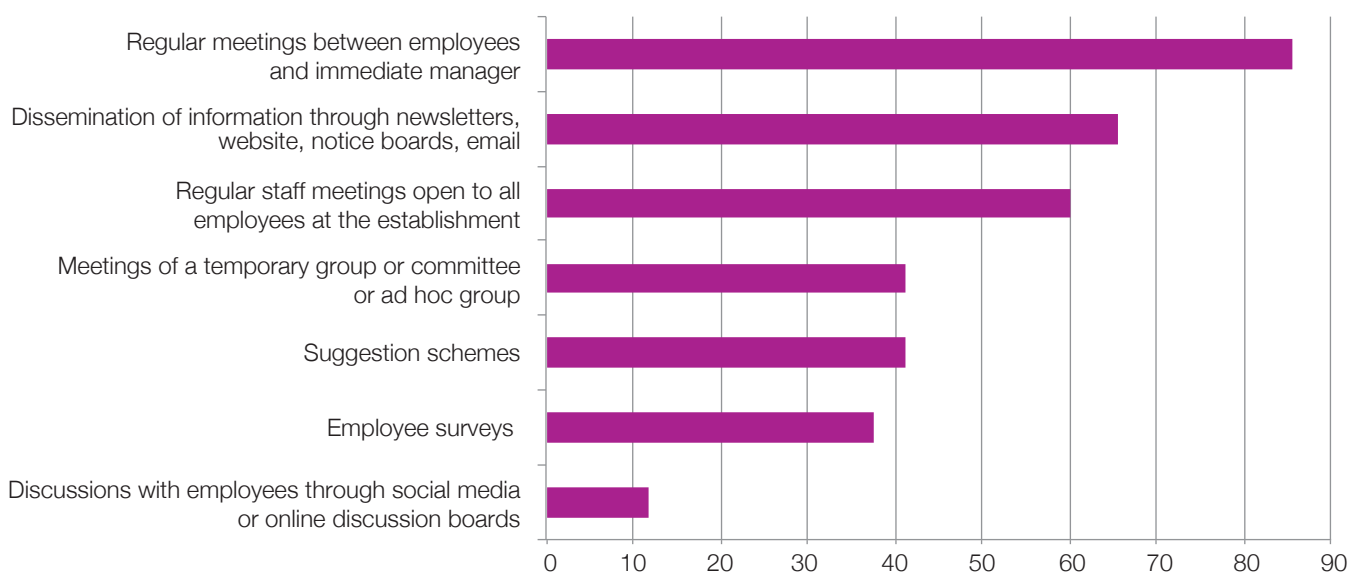
distributed across size classes, sectors and countries, and will show the scores of each type on indices of workplace well-being and establishment performance.

### Instruments to enable direct employee participation

Establishments can use a variety of instruments to enable the direct involvement of employees in decision-making. Instruments vary in the level of participation entailed as well as in their prevalence.

**Top-down instruments:** Strictly speaking, top-down instruments are a prerequisite for – rather than a part of – direct participation. The ECS 2013 mapped the incidence of the dissemination of information through such media as newsletters, websites, notice boards, and email; this is done in 66% of establishments (Figure 37). Use of these dissemination tools is much more prevalent in larger establishments than in smaller ones.

**Figure 37: Instruments for employee participation (%)**



Source: ECS 2013 – Management questionnaire.

**Interactive instruments:** Instruments that are likely to be more interactive are regular meetings between employees and their immediate manager (held in 86% of establishments), regular staff meetings for all employees (held in 60%), meetings of a temporary group or committee or an ad hoc group (in 41%), and discussions through social media or online discussion boards (12%). The latter two are more prevalent in larger establishments.

**Bottom-up instruments:** Finally, there are instruments that – if used appropriately – are purely bottom-up: suggestions schemes (used in 41% of establishments) and employee surveys (used in 38% of establishments). These instruments are again more prevalent in larger establishments than in smaller ones.

Establishments in the financial services sector are most likely to deploy instruments for direct employee participation, while establishments in the construction sector are least likely. However, part of this difference is accounted for by the greater prevalence of large and medium-sized establishments in financial services and the greater prevalence of small establishments in construction.

Overall, establishments in Austria and the Nordic countries are most likely to deploy instruments for employee participation while establishments in Italy, Croatia and Portugal are the least likely.

## Level of involvement

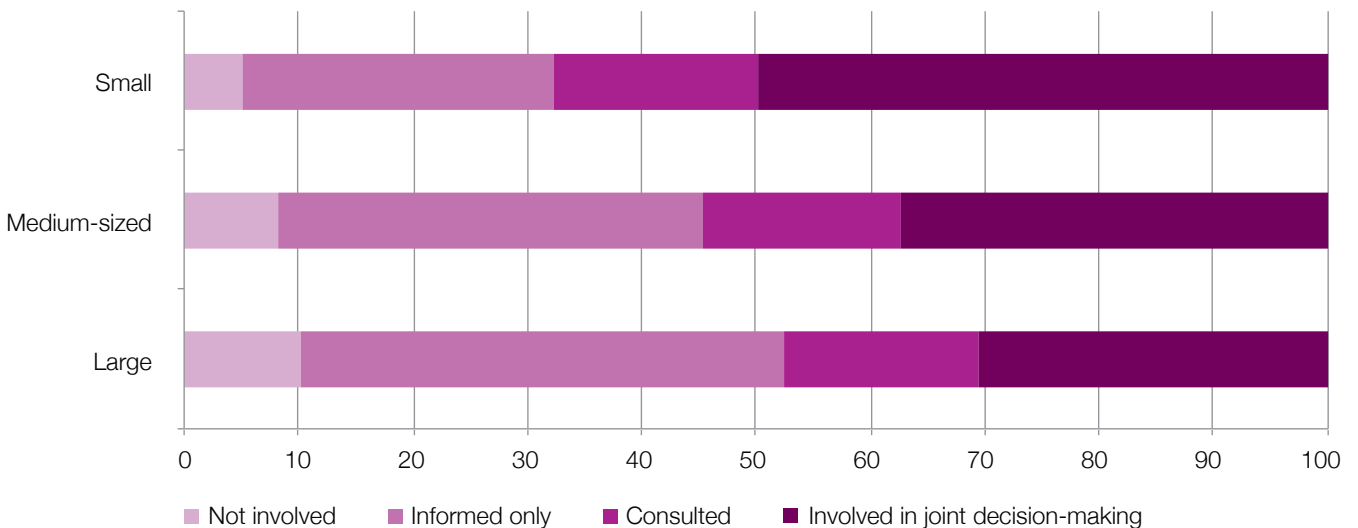
This section looks at the extent to which management asks for and takes account of the views of employees when deciding on changes in the establishment that potentially affect the employees.

### Information, consultation and joint decision-making

The extent to which employees can participate in organisational change can vary.

- As a prerequisite for any participation, employees need to be **informed** about changes before they happen.

**Figure 38: Level of employee involvement in decision-making in most important recent change, by establishment size (%)**



Source: ECS 2013 – Management questionnaire.

- Employees may subsequently be **consulted** on the change, management expressly seeking to gather employees' views ahead of a decision.
- The most developed form of direct employee participation is the involvement of employees in **joint decision-making**. This could be, for instance, by means of negotiation, joint discussions in working groups, or voting.

Each of these stages requires that the previous has taken place: employees must be informed before they can be consulted; they need to be consulted before they can participate in joint decision-making. Looking at the most important change as identified by the manager (see Box 3), in 5% of establishments employees were not involved at all. In a further 27% of establishments they were informed only about forthcoming major changes in the establishment. In 18% of establishments, they were consulted and in 50% of establishments they were involved in joint decision-making. Figure 38 shows that the level of direct participation of employees varies greatly depending on the size of the establishment. Joint decision-making is much more prevalent in small establishments than in medium-sized and large establishments. Conversely, management in large establishments is more likely to only inform employees.

## Ad hoc groups

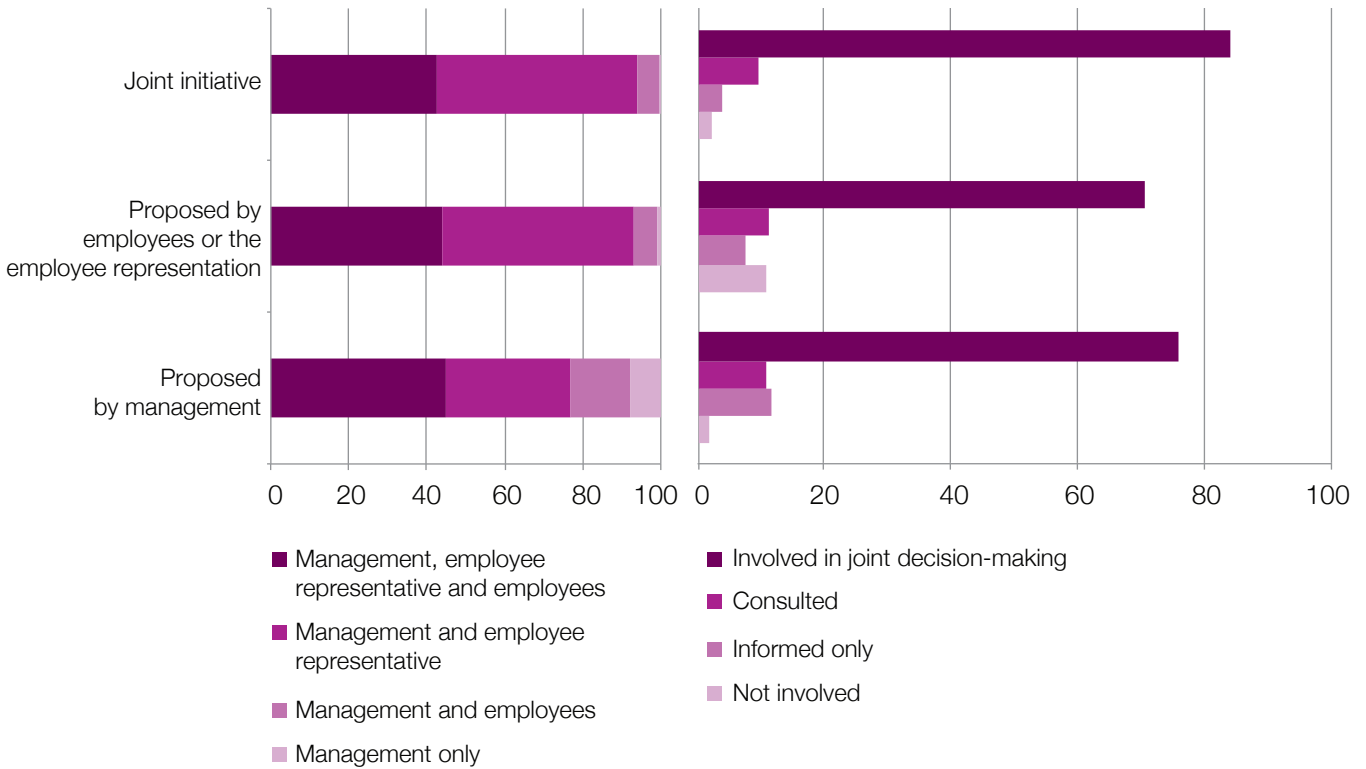
Instead of involving all employees directly, management can also involve employees in decision-making by including some of them in ad hoc groups. These groups are set up to facilitate discussion on a specific topic between management and the employee representation, between management and employees directly, or a combination of the two. Questions about the functioning of ad hoc groups were only asked in the interview with the employee representative, so the results apply only to those establishments where an employee representation

was present and where an interview with an employee representative took place. In 26% of these establishments, an ad hoc group was set up to discuss the decision that the employee representative deemed to have the greatest impact on working conditions (see Box 3). Ad hoc groups are set up much more frequently in large establishments (in 44% of large establishments) than in medium-sized establishments (30% of establishments) and small establishments (23%). The popularity of ad hoc groups differs considerably across countries. They are most frequently reported in Greece (in 46% of establishments) and Germany (41%) and least frequently reported in the Czech Republic and Denmark (both 16%), Italy (10%) and Hungary (7%).

In 41% of the establishments in which they were reported, the ad hoc group was set up on the initiative of management. In 15% of establishments, the initiative was taken by the employee representation or directly by employees, and in the remaining 44% it was a joint initiative. Ad hoc groups set up at the initiative of management are more likely – than groups set up on the basis of other initiatives – to consist of management representatives only, or of representatives of management and employees (Figure 39).

Ad hoc groups set up as a joint initiative or at the initiative of employees or the employee representation, on the other hand, were more likely to contain both management representatives and official employee representatives. Ad hoc groups resulting from a joint initiative were more likely to be involved in joint decision-making (in 84% of establishments) than ad hoc groups initiated by workers only (in 70%) or management (76%) only. Also, ad hoc groups initiated by employees or the employee representation were most likely to not even be informed about the decision-making on the topic.

**Figure 39: Membership and level of involvement in most important recent decision of ad hoc groups, by taker of initiative (%)**



Source: ECS 2013 – Employee representative questionnaire.

## Attitudes toward direct employee participation

The survey also asked both the management respondent and the employee representative about their attitudes toward direct employee participation. As Figure 41 shows, both parties are largely positive.

Most managers (87%) feel that employees stay in the company longer when they feel they can get involved and 84% believe that involving employees gives a competitive advantage. Only 24% believe that involving employees leads to unnecessary delays in implementation.

A large majority of employee representatives (87%) in establishments where employees were recently involved in decision-making believe that the direct participation of employees has improved working conditions. Only a small minority (13%) believes that the direct participation of employees has made the process unnecessarily complicated. In general, employee representatives tend to feel that employees should be involved more in decision-making in their establishment, 66% being of this opinion.

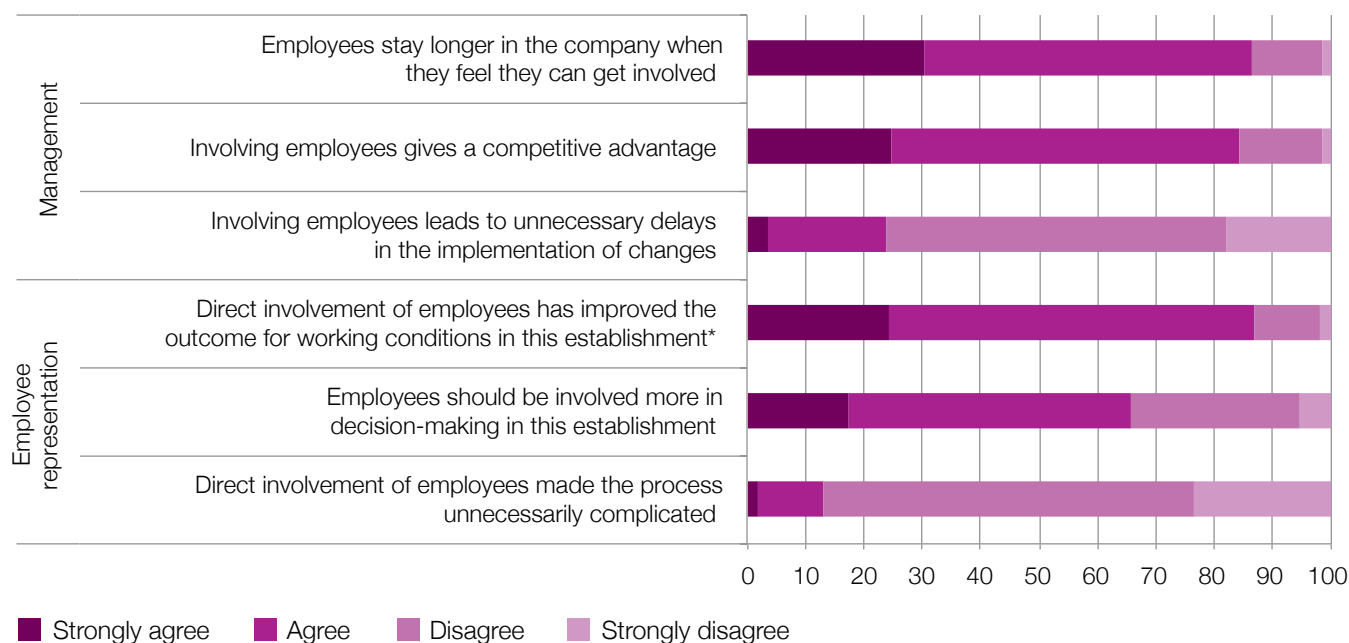
Managers in services sectors are more positive about direct employee participation than those in production sectors.<sup>19</sup>

Managers in Finland and Sweden are the most positive, while managers in Bulgaria and Poland are the least positive. Differences between employee representatives are much less pronounced.<sup>20</sup>

<sup>19</sup> An indicator ‘Management attitude towards direct participation’ was constructed capturing management’s opinion on the consequences of employee participation (see Annex).

<sup>20</sup> The sample of establishments where an employee representative was interviewed and employees were recently involved directly in decision-making is too small to analyse country differences. More generally, the smaller sample size reduces the extent to which it can be assumed that observed differences can be generalised. Overall, the attitudes of managers and employee representatives tend to coincide: in 56% of establishments, both the manager and the employee representative were positive about the direct participation of employees. In 5% of establishments, both were negative. However, this leaves 20% of establishments where the manager is negative and the employee representative is positive and a further 19% of establishments where the manager is positive and the employee representative is negative.

**Figure 40: Attitudes toward direct employee participation, management and employee representatives (%)**



**Note:** \* Question was asked only if a major decision had been taken and employees were at least informed about it.

**Source:** ECS 2013 – Management and employee representative questionnaire.

## Establishment types: direct employee participation

Latent class analysis of data resulted in the identification of groups of organisations with similar approaches and attitudes towards the direct participation of employees. A number of indicators and indices were constructed:

- an indicator of the level of effort that is made to enable direct employee participation, constructed by counting the number of instruments used for direct employee participation;
- an indicator for the extent to which employees participated directly in the most important organisational change (as perceived by management);

- an indicator measuring management's opinion on the consequences of employee participation.<sup>21</sup>

This analysis resulted in the identification of the following three distinct types of establishment in regard to the extent of direct employee participation in the establishment and to what extent is it supported (Table 8):

- 'Extensive and supported';
- 'Low effort and little change';
- 'Moderate and unsupported'.

<sup>21</sup> For more detailed information on the construction of these indices, see Annex.

**Table 8: Profiles of establishment types – direct employee participation (%)**

	<b>'Extensive and supported'</b>	<b>'Low effort and little change'</b>	<b>'Moderate and unsupported'</b>	<b>EU28</b>
<b>Group size (%)</b>	<b>57</b>	<b>28</b>	<b>15</b>	<b>100</b>
<b>Level of effort in enabling direct employee participation (0–7)</b>				
Average	4.1	2.3	3.0	3.4
<b>Level of direct participation (as perceived by management) (%)</b>				
Not involved	2	4	7	3
Informed only	14	9	43	17
Consulted	12	0	25	11
Involved in joint decision-making	43	2	24	29
Not applicable (no major change happened)	28	85	10	40
<b>Management attitude towards direct employee participation (%)</b>				
Positive attitude	92	68	43	78

**Note:** ■ indicates moderate importance in distinguishing types.

**Source:** ECS 2013 – Management questionnaire.

### **'Extensive and supported'**

This type is to be found in more than half of all establishments (57%). These establishments make a relatively large effort in terms of the number of instruments. In addition, employees are likely to be involved in joint decision-making on the most important recent organisational change – having been involved in almost 60% of those establishments where a major change had taken place (43% overall). Likewise, management attitudes towards direct employee participation are very positive.

### **'Low effort and little change'**

This type of organisation is prevalent in 28% of establishments. Establishments of this most often did not have any opportunity to involve employees since, in 85% of establishments of this type, no major change had taken place. In those few establishments where a major change had taken place, employees were most likely to be only informed or not involved. Establishments of this type make limited efforts to enable direct

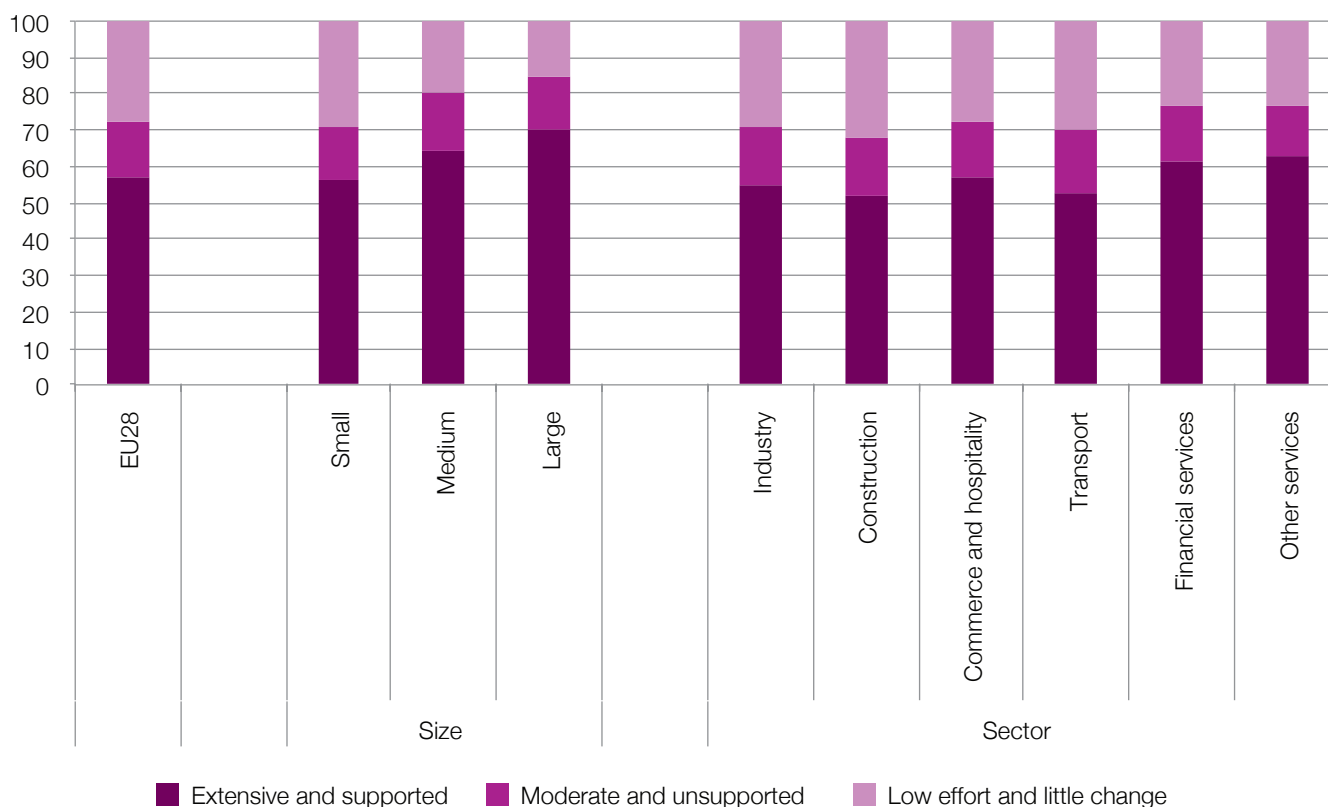
employee participation, despite management attitudes being predominantly positive.

### **'Moderate and unsupported'**

This type is prevalent in 15% of establishments. In almost half of these establishments, employees were either consulted (25%) or involved in joint decision-making (24%) on the most important recent change. However, efforts in terms of the number of instruments for direct employee participation are moderate and the management attitude is relatively often not very positive – only 43% of establishments having management that supported employee participation.

Differences between classes are similarly large for the level of effort, level of direct involvement and management attitude. The obtained classification is of moderate importance in explaining variation in all three indicators.

**Figure 41: Establishment types – direct employee participation, by establishment size and sector (%)**



Source: ECS 2013 – Management questionnaire.

## Distribution of types across structural characteristics

### Size and sector

Figure 42 indicates the extent to which the prevalence of the three types of employee participation organisations varies across size classes and sectors of economic activity.

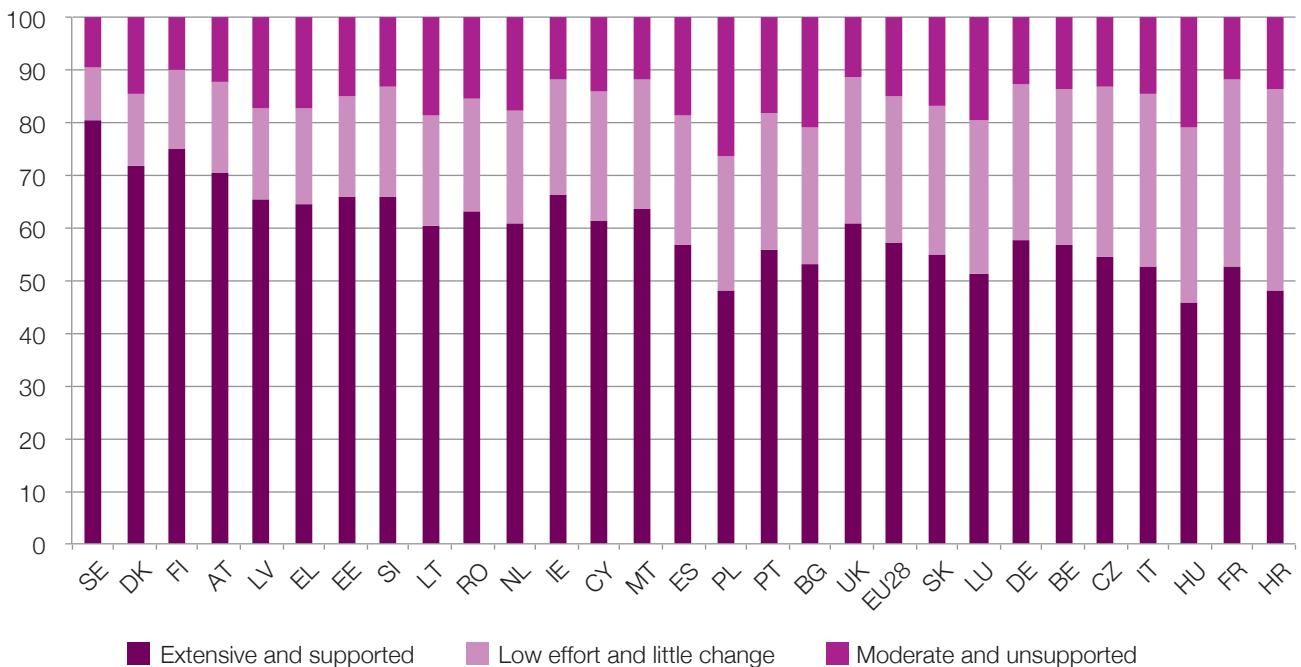
The 'Extensive and supported' type is more common in large establishments (70% of large establishments belonging to this type) than in small and medium-sized establishments (where it accounts for 56% and 64% respectively). It is more prevalent in the 'other services' and financial services sectors and somewhat less common in the construction and transport sectors.

The reverse pattern is found for the 'Low effort and little change' type which is more prevalent in smaller establishments, most prevalent in the construction and transport sectors and least prevalent in the services and financial services sectors. Prevalence of the 'Moderate and unsupported' type does not differ much across size classes and sectors.

### Country

Countries differ considerably in the prevalence of the three types of establishments (Figure 42). The 'Extensive and supported' type is most common in Sweden, Finland, Denmark and Austria, where more than 70% of establishments are of this type. The type is least common in Hungary, Poland and Croatia where it comprises fewer than 50% of establishments.

**Figure 42: Establishment types – direct employee participation, by country (%)**



Source: ECS 2013 – Management questionnaire.

The 'Low effort and little change' type is most prevalent in Croatia, France, Hungary, Czech Republic and Italy, where it accounts for more than 30% of establishments. It is least prevalent in Sweden, Denmark, Finland, Austria, Latvia, Greece, and Estonia, where it comprises fewer than 20% of establishments.

The 'Moderate and unsupported' type is most common in Hungary, Bulgaria and Poland, where it accounts for more than 20% of establishments and least common in Sweden and Finland (fewer than 10% of establishments).

## Scores on workplace well-being and establishment performance

Figure 43 shows the average standardised scores for establishment performance and workplace well-being in each of the three organisational types.

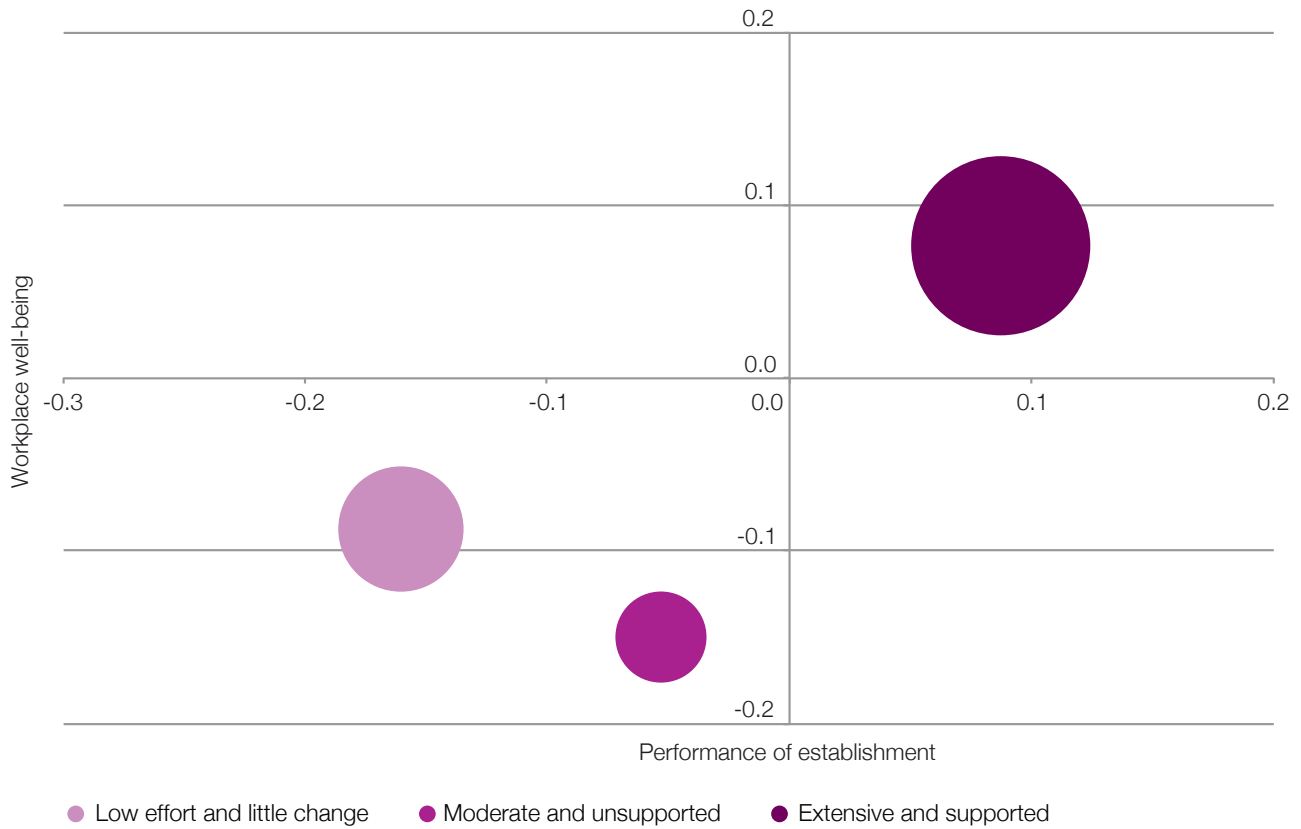
Figure 43 shows that establishments of the 'Extensive and supported' type score highest both in terms of workplace well-being and establishment performance. Establishments of the other two types score below average on both well-being and

performance. Interestingly, establishments of the 'Low effort and little change' type score lowest in terms of establishment performance, whereas establishments of the 'Moderate and unsupported' type score lowest in terms of workplace well-being. The presented differences between the three types on the two outcomes remain after the effects of establishment size, sector of activity and country are controlled for.

It is important to remember that the results represent managers' perceptions of employee participation and as such may be different from those of employees. Also, these results do not imply a causal relationship between the level of direct employee participation and various organisational outcomes: it is not possible to determine a causal relationship with this set of cross-sectional survey data. Nevertheless, the results do show that managers in those establishments where there is a positive environment for employee participation also report positive outcomes for employees and for the establishment.



**Figure 43: Workplace well-being and establishment performance, by establishment type – direct employee participation**



**Note:** For an explanation of the graph, please refer to Figure 14.

**Source:** ECS 2013 – Management questionnaire.



# CHAPTER 11

## Workplace social dialogue

In a recent report, Eurofound defined social dialogue as discussion, consultation, negotiation and joint actions involving recognised representatives of the two sides of industry (employers and workers) (Eurofound, 2012a). Social dialogue is clearly shaped by the cultural, institutional and economic developments in its national setting. Depending on the context, the types of actors vary, as do their roles in the process of social dialogue. The ECS 2013 provides data on the facilities for and the functioning of employee representation at the establishment level. Interviews were conducted in two stages: management representatives were asked about the structures of employee representation at their establishment workplace; this in turn enabled the identification of the most suitable employee representative to be subsequently interviewed. To construct questions about the structure of social dialogue that would be meaningful in each national context, Eurofound consulted its national-level experts from its European Observatory of Working Life (EurWORK) to identify the employee representation bodies in each country that would be involved in discussions on work organisation practices (for an overview of organisations, see the Annex on survey methodology).

This chapter first outlines the incidence of employee representation structures in European establishments, examining the characteristics of these structures and the resources and information available to the employee representation. Subsequently, the chapter describes practices with regard to the level of involvement of the employee representation and the extent to which the employee representation can influence important decisions at the establishment. The next section

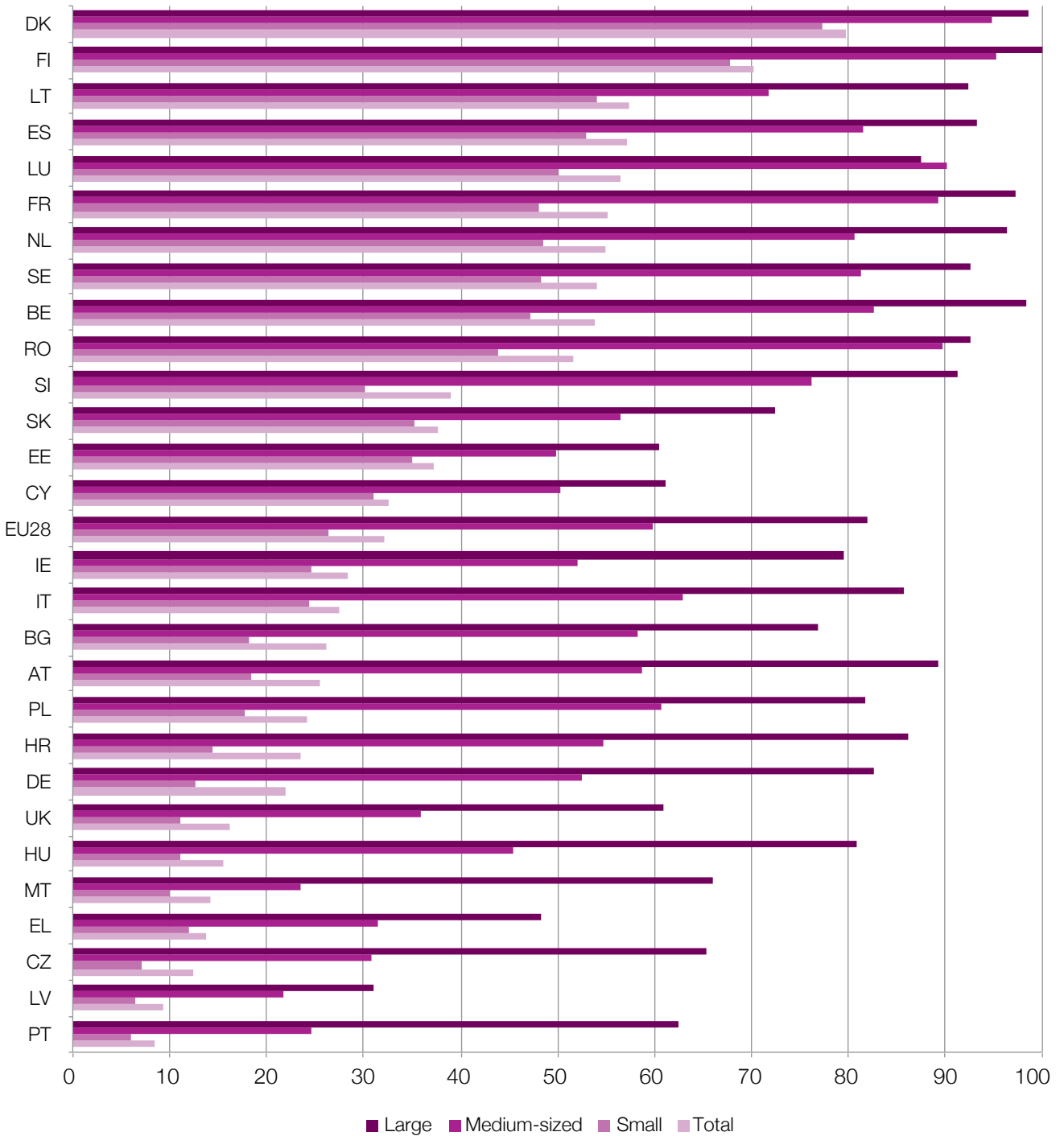
looks at the relationship of trust between management and employee representation, the support employee representatives receive from the employees they represent and the prevalence of industrial action. A typology of establishments was created based on the practices for, and attitudes towards, social dialogue. As was done in previous chapters, this is then linked to establishment outcomes in terms of workplace well-being and establishment performance.

### Employee representation at the workplace

The ECS 2013 shows that an official structure for employee representation is present in about one-third (32%) of establishments in the EU28. However, there are large differences between establishments of different sizes, in different sectors and in different countries. Larger establishments are much more likely to have an employee representation structure than smaller establishments: 82% of large establishments have one, compared to 60% of medium-sized establishments and 26% of small establishments. Structures for employee representation are most prevalent in establishments in financial services (44% of establishments in the sector having such a structure) and industry (37%). Figure 44 shows the presence of structures of official employee representation by country and establishment size. The figure indicates whether one or more structures of varying types (trade unions, works councils or other national variations of statutory representation) were present at – or had a role relating to – the establishment.<sup>22</sup>

<sup>22</sup> A list per country of the types of structures that were included in each country can be found in the Annex. In order to maximise the likelihood of ensuring an interview with an employee representative, managers of establishments that reported not having an employee representation structure at the establishment were asked whether there was an employee representation structure at the company level that covered their establishment. Such a company-level employee representation structure was reported in only 1% of establishments. Representatives from these structures have been interviewed, and the results are included in this chapter.

**Figure 44: Prevalence of official structures of employee representation, by country and establishment size (%)**



Source: ECS 2013 – Management questionnaire.

**Country:** Denmark has the highest incidence of employee representation structures (in 80% of establishments), followed by Finland (70%). Employee representation structures are present in more than 50% of establishments in Lithuania, Spain, Luxembourg, France, the Netherlands, Sweden, Belgium and Romania. In contrast, there is an employee representation structure in fewer than 20% of establishments in the UK, Hungary, Malta, Greece, the Czech Republic, Latvia and Portugal. And in Latvia and Portugal, fewer than 10% have such a structure.

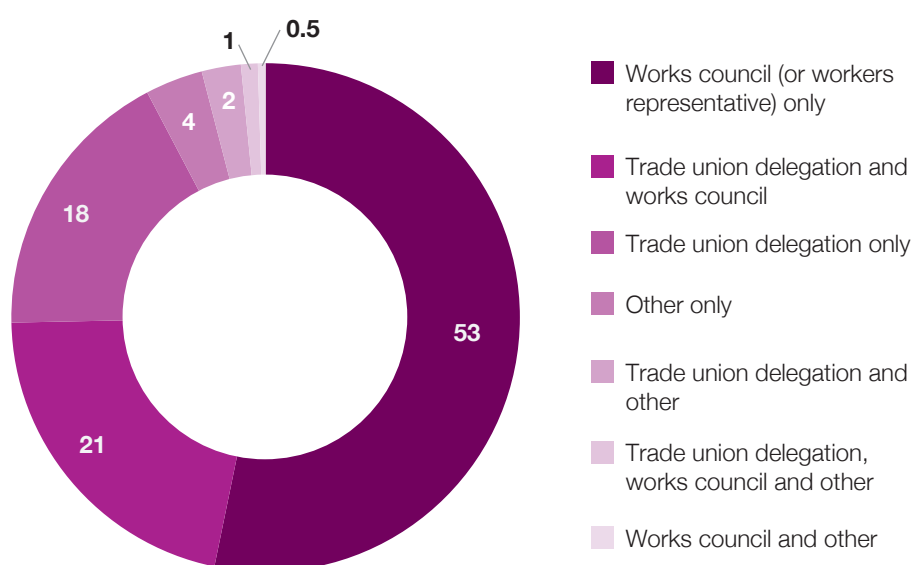
**Size:** Large establishments have consistently higher proportions of employee representation structures than do small and medium-sized ones. This is not surprising in light of the institutional context: European and national legislation requires the setting up of employee representation structures in larger companies. In addition to the legal requirements, there might also be practical arguments: economies of scale make it more attractive for larger companies to engage with employee representation structures than for smaller companies. In the EU28 as a whole, employee representation structures are present in 27% of small establishments, 60% of medium-sized establishments and 82% of large establishments. However, in some countries – Denmark, Finland, Luxembourg and Romania – the differences between large, medium-sized and small establishments are much less pronounced.

**Sector:** Overall, structures of employee representation are most prevalent in the financial services sector and least prevalent in commerce and hospitality. However, this is partly due to the differences in the size of establishments between the sectors. Among large establishments, those in construction and industry stand out as having a relatively high incidence of employee representation. Among medium-sized establishments, the incidence of employee representation structures is relatively high in transport, industry and financial services; among small establishments, financial services again take the top spot.

Figure 45 shows the distribution of different types of employee representation structures in European establishments.

Among those establishments that indicated that an employee representation was present, most commonly it takes the form of a works council or workers representative (in 53% of establishments). The next most common arrangement is to have both a trade union delegation and a works council (21%), followed by having only a trade union delegation (18%). Configurations including ‘other’ country-specific types of employee representation are much less prevalent, which is not surprising as social dialogue in most countries is trade-union delegation or works-council based.<sup>23</sup> It must be noted that, in many countries, trade unions are allowed or even required to be represented on the works council.

**Figure 45: Configurations of employee representation structures (%)**



**Note:** Percentage of establishments with an official structure for employee representation.

**Source:** ECS 2013 – Management questionnaire.

<sup>23</sup> In only five countries (Belgium, Greece, Ireland, Latvia and the UK) did the experts identify country-specific structures, about which questions should be included in the survey.

### Membership of employer organisations

The ECS 2013 found that 26% of establishments are members of an employer organisation participating in collective bargaining. Larger establishments are more likely to be members of employer organisations (55%) than smaller establishments (24%). This proportion does not differ substantially across economic sectors, being only somewhat higher in establishments in the transport sector (31%) and financial services (32%). Figure 46 shows that on a country level there is a relatively high degree of correspondence between the prevalence of official structures for employee representation and membership of employer organisations. However, there are exceptions to this trend: in some countries, the degree of organisation of employers does not match that of employees or vice versa.

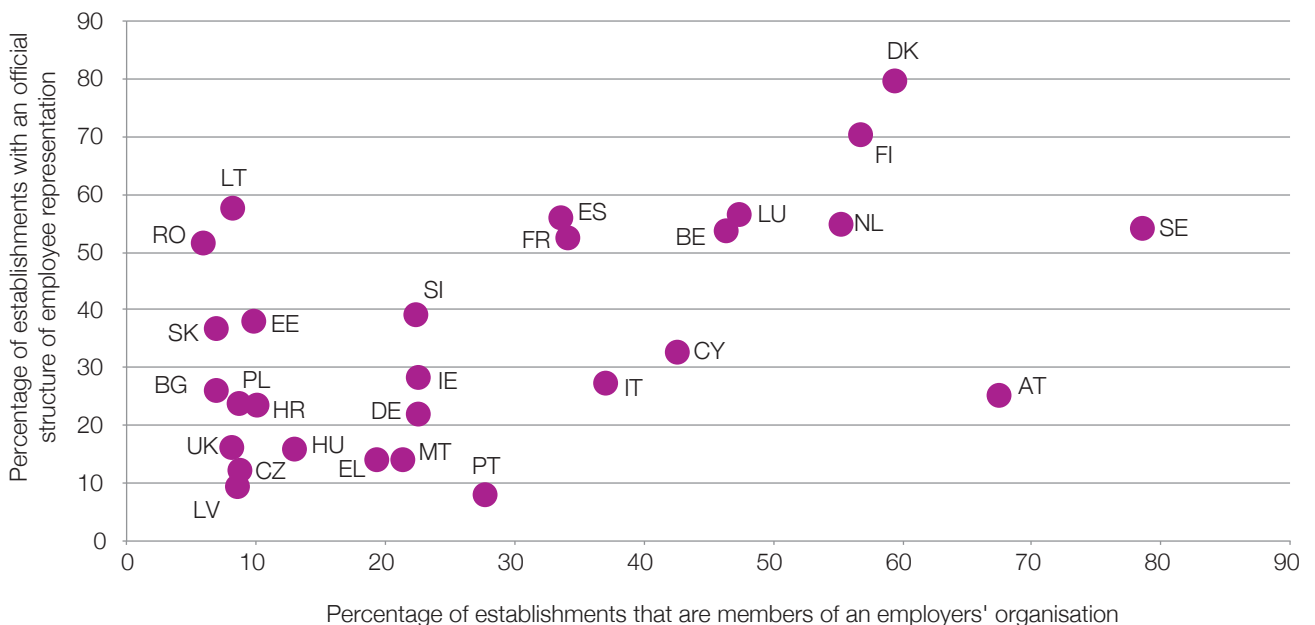
High degrees of organisation, for both employers and employees, are observed in the Nordic countries and the Netherlands. The opposite is the case in Latvia, the Czech Republic, the UK and Hungary, with a low incidence of employee representation at establishment level and a low incidence of company membership in employer organisations. In Austria, the difference

in terms of coverage between representative organisations of employees and employers is the largest. Here, there is a high degree of membership of employer organisations (because of the compulsory membership of all private undertakings of the Federal Austrian Economic Chamber – WKÖ) accompanied by a comparatively lower incidence of employee representation. Big differences in the level of coverage of representative organisations – but with a different pattern – are also found in Romania and Lithuania, where a comparatively low degree of organisation on the employer’s side is accompanied by a high degree of employee representation at the establishment.

### Communication with the workforce

Employee representatives were asked how they communicate with employees in the establishment. The most common means of communication with general staff is newsletters, notice boards, email or websites (81%), followed by meetings during working hours (75%), meetings outside working hours (32%) and social media or online discussion boards (9%). Unsurprisingly, employee representatives in large establishments are more likely to use newsletters and similar means

**Figure 46: Proportion of establishments with employee and employer representation across countries (%)**



Source: ECS 2013 – Management questionnaire.

(94%) than those in medium-sized establishments (87%) and small ones (77%). Interestingly, meetings outside working hours are also more common in large establishments (43%) than in medium-sized establishments (36%) and small ones (28%).

Trade union representatives were also asked about how they communicate with members of their trade union. Their strategy does not differ much from how they communicate with general members of staff, except that they use meetings outside working hours much more frequently (52%). In addition, the use of social media and online discussion boards is more popular for communicating with trade union members (15%) than with the workforce as a whole (9%, as indicated in the previous paragraph).

### Resources for employee representatives

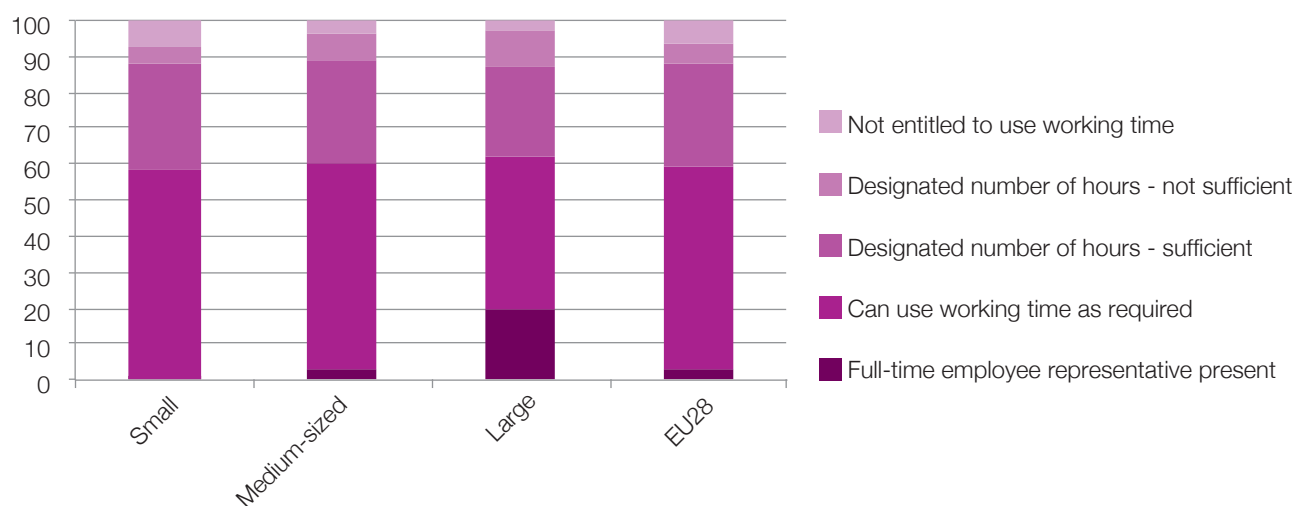
In order for employee representatives to engage in a constructive discussion with management, it is important that they are well resourced in terms of time, training, and access to information – both in terms of key developments in the establishments and in terms of external advice.

### Time for employee representation duties

Employee representatives were asked whether they were entitled to spend a designated number of working hours on their duties as employee representatives, and if so, whether these hours were sufficient. Figure 47 shows that the vast majority of employee representatives reported having sufficient resources in terms of time.<sup>24</sup> The majority (56%) can use as much of their working time as is necessary and a small proportion (3%) are employed full time as employee representatives. A further 29% report having a sufficient, designated number of working hours they can dedicate to their duties as employee representatives. Only 5% report that their designated number of hours is insufficient and another 6% report they are not allowed to use their working time at all.

**Size:** Full-time employee representatives are much more common in large establishments, whereas allowing employee representatives to spend as much time on their duties as necessary is more common in small and medium-sized establishments. The proportion of employee representatives who have a designated number of hours that they feel is not sufficient is considerably larger in medium-sized and large establishments.

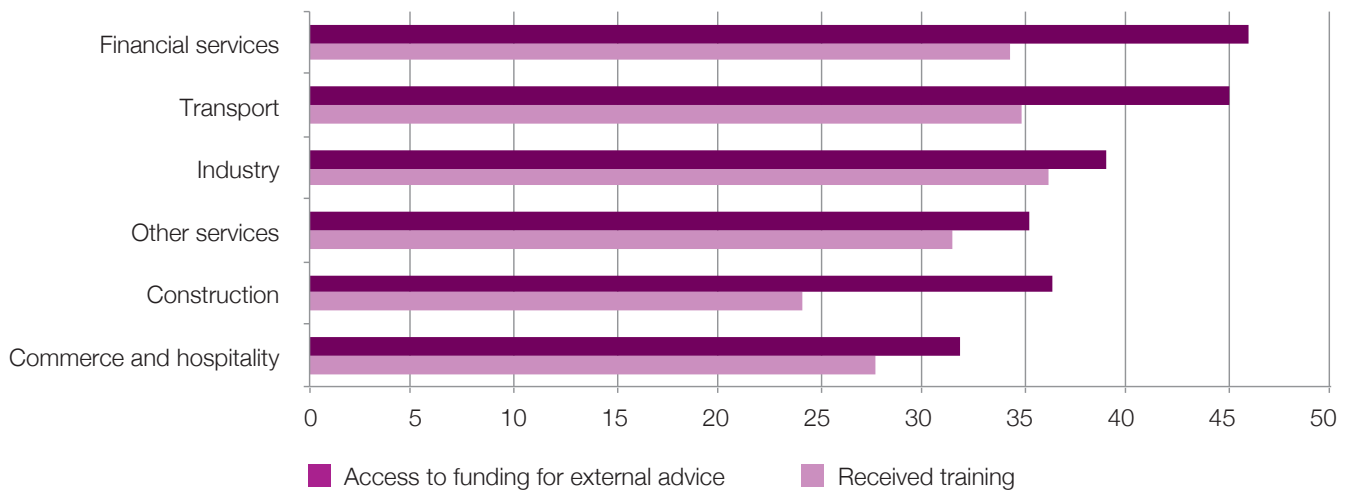
**Figure 47: Time resources for employee representation duties, by establishment size (%)**



**Note:** Employee representative questionnaire.

**Source:** ECS 2013 – Employee representative questionnaire.

<sup>24</sup> Due to a coding error, the data for Cyprus on this issue were unreliable and have been excluded from this analysis.

**Figure 48: Access to external advice and training, by sector (%)**

Source: ECS 2013 – Employee representative questionnaire.

**Sector:** Sectors do not differ much in terms of the time resourcing of employee representatives. Employee representatives in financial services are best off, with 93% either being employed full time, able to use as much working time as they need or having a sufficient amount of designated time. However, in the sector where time is allocated least generously (the transport sector), the same is still true for 87% of employee representatives.

**Country:** Differences between countries are a little more pronounced. The proportion of employee representatives who are either employed full time, able to use as much working time as they need or have a sufficient amount of designated time exceeds 95% in Finland, Sweden, and Denmark, whereas it is below 80% in Greece and Malta. By far the highest proportion of employee representatives reporting that they work full time as an employee representative is in Germany.

### Access to training and external advice

Given the complexities of working life, employee representatives need the knowledge and expertise to be able to deal with a wide spectrum of issues. Training and access to external advice are therefore indispensable.

#### Training

Overall, 32% of employee representatives reported having received training related to their role in the year preceding the survey.

**Size and type:** Employee representatives in large establishments are much more likely to have received training (63% having done so) than those in medium-sized establishments (where 40% received training) or small ones (26%). Among small establishments, it makes a big difference whether the establishment is a single-establishment company – in which case, only 23% of employee representatives had received training – or a headquarters of a multi-establishment company (where 28% had received training) or a subsidiary site (40%). These differences between establishment types are much less pronounced for medium-sized and large establishments.

**Sector:** Figure 48 shows that employee representatives are most likely to have received training in industry (36% having received training) and least likely in the construction sector (24%).

**Country:** Country differences are much more pronounced than sectoral differences: more than half the employee representatives in Belgium, Cyprus, the Czech Republic, Germany and the Netherlands received training in the year prior to the survey, compared with fewer than 15% in Ireland, Malta and Romania.

#### External advice

The ECS 2013 asked employee representatives whether they had access to funding for external advice. Such funding could be acquired from different sources, such as a trade union, government funds or directly from the employer.



Over one-third (37%) of employee representatives reported having access to such funding. Again, substantial differences are observed between employee representatives in small establishments (where 28% reported having access), medium-sized (53%) and large ones (64%). Those in the financial services sector (46%) and in transport (45%) are most likely to have access to funding for external advice while employee representatives in commerce and hospitality are least likely, 32% having such access (Figure 48). The availability of funding appears to be strongly dependent on the institutional setting: over 85% of employee representatives in Cyprus, Germany and Hungary have access to funding for external advice, compared to fewer than 15% in Finland, Italy, Malta, Portugal and Romania.

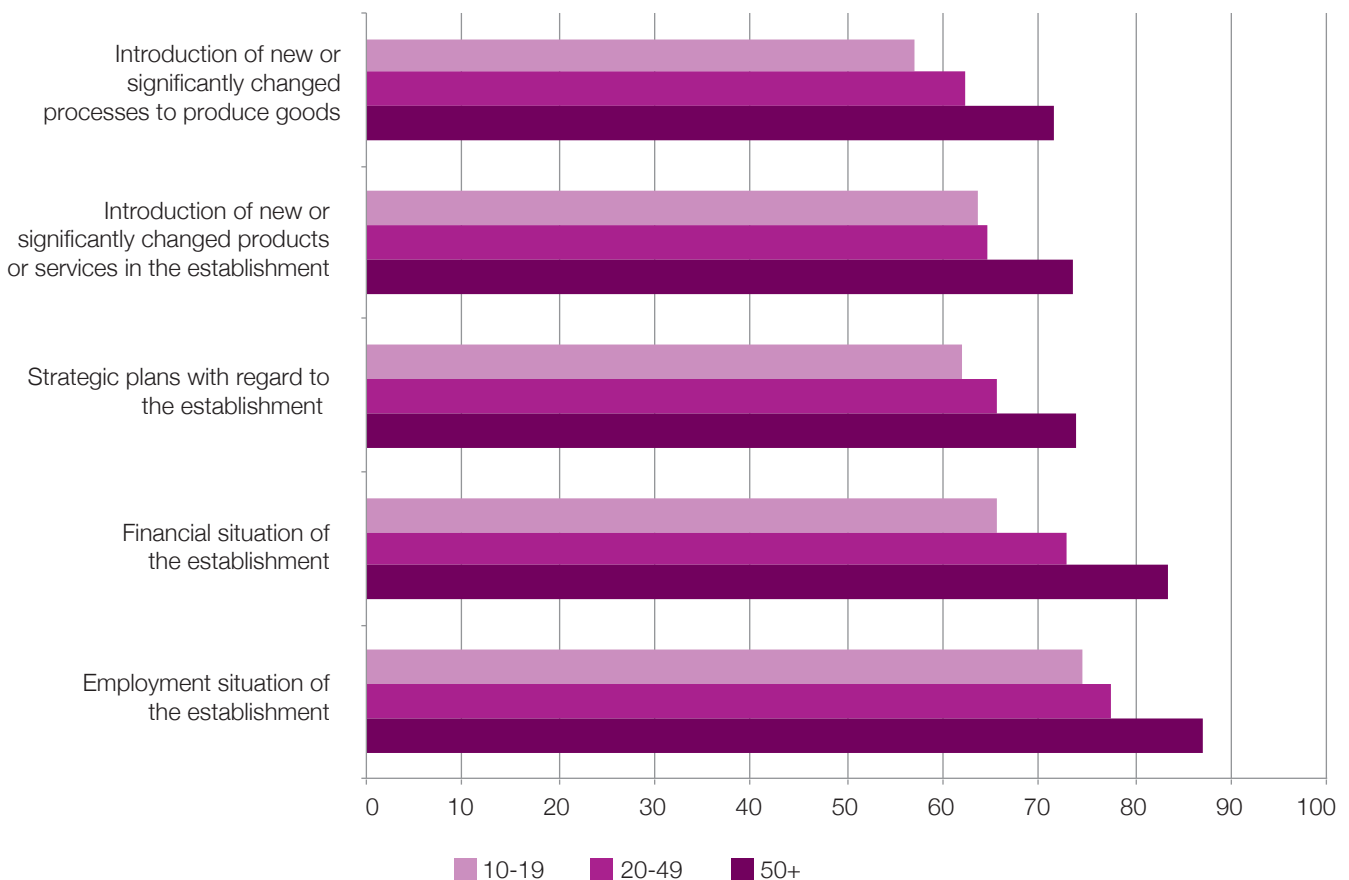
## Information, consultation and negotiation

### Information provision

Directive 2002/14/EC (Information and Consultation Directive) sets minimum requirements with regard to the right of employees to be informed and consulted. The directive has left it up to the Member States to decide on the threshold – in terms of the number of employees in the enterprise – at which the directive is implemented. Depending on the country-level decision, this threshold is set at either 20 or 50 employees.

Reporting on the year preceding the survey, 75% of employee representatives said they had received information on the establishment’s financial situation and 80% said they had received information on its employment situation. The majority

**Figure 49: Information provision, by establishment size (%)**



**Note:** Figures indicate the provision of information in the 12 months prior to the survey.

**Source:** ECS 2013 – Employee representative questionnaire.

of the representatives who had received information on the financial and employment situation said that this had also included expectations for the future (85% with regard to the financial situation, 83% with regard to the employment situation). The ECS 2013 also asked about the provision of information for a number of other topics, which – while not covered explicitly by the directive – are interesting in light of the survey's focus on workplace innovation and social dialogue, such as the introduction of new products/services and processes and the strategic plans of the establishment. Employee representatives less frequently reported that they were informed about these topics: 68% were informed about strategic plans, 68% about the introduction of new products or services and 65% about the introduction of new processes.

**Size:** Figure 49 (p. 103) shows that, in line with expectations based on the thresholds suggested in the directive, employee representatives in establishments with 50 employees or more are most likely to report having received information about the employment and financial situation of the establishment (more than 80% being informed about both), followed by employee representatives in establishments with 20–49 employees (69%) and finally those in establishments with 10–19 employees (62%).<sup>25</sup> Similar differences are found for the topics not covered by the directive (the introduction of new products, services or processes and the strategic plans of the establishment).

**Sector:** Differences between sectors are negligible, with employee representatives in industry most likely to have been informed (73%) and those in transport the least likely (68%).

**Country:** Employee representatives are most likely to have been informed about the employment and financial situation of the establishment in Austria, the Czech Republic, Denmark, Germany and the Netherlands (in more than 80% of establishments). They are least likely to have been informed in Cyprus (52%) and Portugal (38%).

## Quality of information provided

Employee representatives were asked whether the information they received was provided in good time and whether it was of satisfactory quality. In general, employee representatives were positive in this regard: 78% of employee representatives reported that they had received the information both in good time and that it was of satisfactory quality. This proportion, however, drops slightly with size: employee representatives in large establishments are somewhat less likely to report that both criteria were met (70% doing so) than employee representatives in medium-sized establishments (76%) and small ones (80%). This difference is due mainly to the fact that employee representatives in large establishments are more likely to report that information was not provided in good time.

## Level of involvement

Both managers and employee representatives were asked which issues they considered the most important of the past year (see Box 3 on p.85). Both were then asked about their assessment of the role of the employee representation in the process of decision-making on this issue.

Figure 50 shows that 58% of managers and 54% of employee representatives reported that the employee representation had been involved in joint decision-making.

A further 16% of managers and 16% of employee representatives reported that the employee representation was consulted. However, 26% of managers and 30% of employee representatives (in establishments where an employee representation is present) reported that the employee representation was only informed or not even informed about the decision-making on what they considered the most important issue of the previous year.

**Sector:** Judging by management's reported involvement of employee representation,<sup>26</sup> the differences in the extent of employee representation between sectors are small. The employee representation is most frequently involved (either consulted or involved in joint decision-making) in establishments in the construction sector (78%) and least frequently involved in industry (72%).

**Country:** Country differences are much larger than between sectors. Involvement of employee representation is reported in more than 80% of establishments in Croatia, Germany, Greece, Latvia, Malta, Poland, Romania and Sweden and in fewer than 60% of establishments in Cyprus, Italy and Portugal. Interestingly, in quite a number of those countries in which there is a relatively high level of involvement, employee representation at the establishment level is not very common. This suggests that in countries where employee representation at the establishment level is less common, establishments that do have an employee representation try to make good use of it.

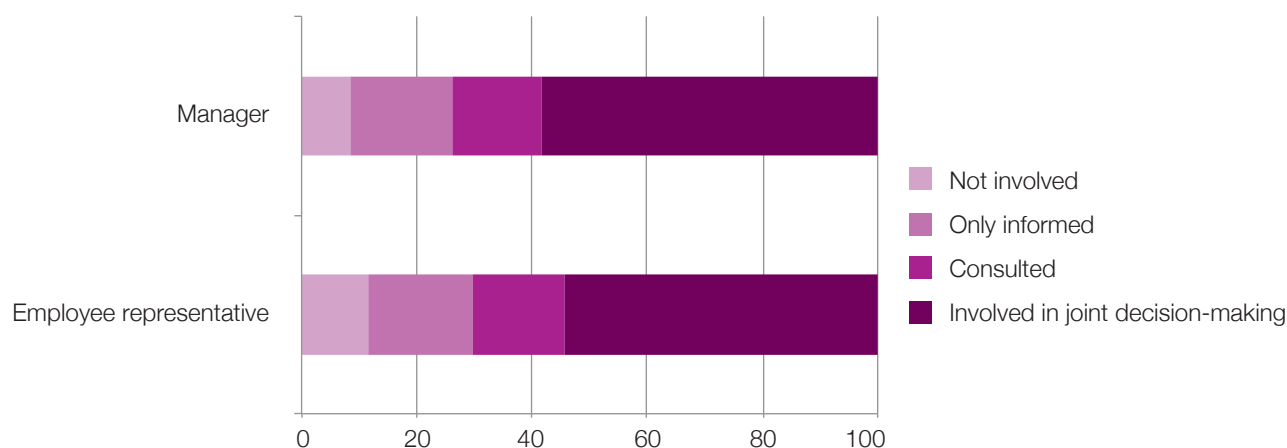
Involvement of the employee representation in decision-making is usually either the result of a joint initiative by management and employee representation (42% of the cases) or an initiative of management on its own (45% of the cases). The employee representation is only rarely involved on its own initiative (10% of the cases) or because management is legally obliged to (4% of the cases).

Interestingly, when employees or the employee representation take the initiative to push for involvement of an employee representation or when legislation obliges management to involve the employee representation, management appears to be

<sup>25</sup> It should be noted that, for this discussion, the size classes have been adjusted to match the thresholds suggested by the directive.

<sup>26</sup> Management's assessment of the extent to which the employee representation is involved does not differ much from the employee representative's own assessment.

**Figure 50: Level of involvement of employee representation – management and employee representative views (%)**



Source: ECS 2013 – Management and employee representative questionnaires.

slightly more inclined to only consult the employee representation rather than take decisions jointly with them (Figure 51).

## Negotiating wages

Collective bargaining can take place at various levels. Even when it takes place at a higher level (at the national, sectoral or company level) it is likely to impact on practices at the establishment. For a discussion on collective wage bargaining see Eurofound's portal on collective wage bargaining, and the European Commission's report *Industrial relations in Europe 2012* (European Commission, 2013).<sup>27</sup>

### Management perspective

In the ECS 2013, 67% of managers reported that employees in their establishment were covered by one or more collective wage agreements.

- Coverage by collective wage agreements negotiated at the establishment or company level was reported by 30% of managers.
- Coverage by an agreement negotiated at the sectoral or regional level was reported by 29% of managers.
- Coverage by a cross-sectoral agreement was reported by 23% of managers.
- Coverage by an agreement negotiated for workers in a specific occupation was reported by 21% of managers.

**Sector:** Sectors differ only marginally in terms of the extent to which establishments are covered by collective bargaining at

any level. The highest level of coverage is reported for establishments in transport (71%) and the lowest level for establishments in the other services sector (64%).

**Countries:** Differences between countries are much more pronounced: coverage levels exceed 90% in Austria, Finland, Italy and Spain but are below 10% in Estonia and Latvia.

### Employee representative perspective

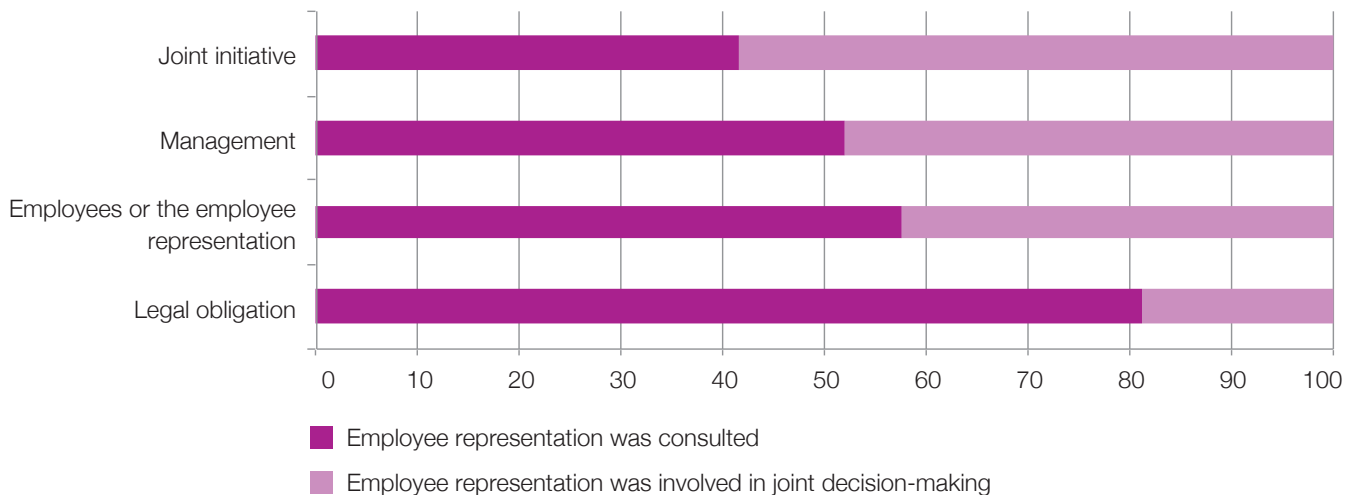
Employee representatives were asked whether there were negotiations on various aspects of pay at the establishment level:

- 43% reported that the basic pay was negotiated at the establishment;
- 36% reported that performance-based pay was negotiated at the establishment;
- 14% reported that financial participation was a topic of negotiation at the establishment.

### Influence of employee representation

In terms of the influence that the employee representation has on the outcome of the most important decision, around two-thirds of employee representatives reported that the employee representation had had an influence: 52% reported that it had had some influence and 17% reported it had had a strong influence. A closer look at the different topics (Figure 52) shows that employee representatives reported having the greatest

<sup>27</sup> The portal is available at: <http://www.eurofound.europa.eu/observatories/eurwork/collective-wage-bargaining/context>

**Figure 51: Level of involvement of employee representation, by taker of the initiative (%)**

Source: ECS 2013 – Management and employee representative questionnaires.

influence on decisions regarding occupational health and safety (52% reporting some influence and 25% reporting a strong influence). They reported having the least influence on decisions concerning restructuring measures, and recruitment and dismissals (39% and 37%, respectively, reporting no influence).

## Trust

The importance of trust for building a cooperative relationship between actors has been highlighted in some of the standard works on industrial relations (Fox, 1974; Katz, Kochan and Gobe, 1983). In a climate of mutual trust, managers can expect the employee representation to constructively contribute to decisions on important issues that affect the workplace. Likewise, the employee representation body can expect management to reward it for this constructive attitude by taking decisions that benefit the workforce. The ECS 2013 included a range of questions in both the management and the employee representative questionnaires that aimed to capture the trust relationship between employee representatives and management.

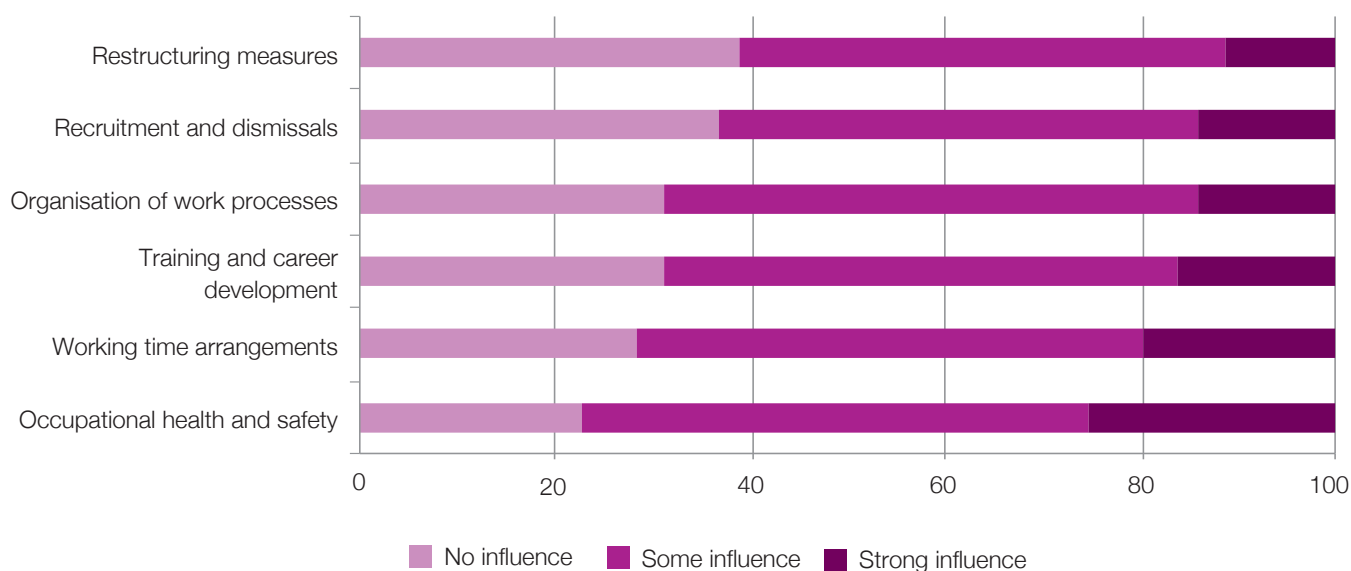
Overall, reported levels of trust are high: 83% of employee representatives agreed (or strongly agreed) with the statement ‘the management can be trusted’; meanwhile, 91% of managers agreed with the statement ‘the employee representation can be trusted’. Combining these answers reveals that in 76% of establishments where an employee representation is present, mutual trust exists between management and the employee representation.

The presence of a culture of cooperation was further captured by asking employee representatives whether the relationship with management is hostile (10% of representatives reported this to be the case) and whether management makes sincere efforts to involve the employee representation in solving joint problems (80% of the representatives agreed or strongly agreed that this was the case). Employee representatives were also asked whether they were treated worse because of their position as employee representatives, which 9% of employee representatives reported to be the case, and whether they might lose their job because of their work as an employee representative, which 8% agreed or strongly agreed with.

Managers were asked whether they felt that the employee representation had helped them in a constructive manner to find ways to improve workplace performance, and whether consulting the employee representation regarding important changes had led to greater staff commitment to the implementation of changes. A large majority of managers agreed or strongly agreed with each of these two statements (79% and 78% respectively).

To capture the overall level of trust that management has in the employee representation – and vice versa – composite indicators were constructed based on the variables presented above.<sup>28</sup> The score for management trust in the employee representation is 66 out of 100, and the score for the employee representative trust in management is 73 out of 100. Levels of trust do not vary much between size classes, establishment types and sectors. There are, however, interesting differences between countries. Figure 53 (on page 108) shows that at the country level, trust in the employee representation and trust in management are positively associated. An exception is Austria, where management’s average level of trust in the employee

<sup>28</sup> For more detailed information on the construction of the indices, see Annex.

**Figure 52: Influence of employee representation on major decisions, by topic (%)**


Source: ECS 2013 – Employee representative questionnaire.

representation is the second-highest (after Romania), but where the employee representation's trust in management is the third-lowest (only above Luxembourg and Estonia). Another exception, on the other side of graph, is Hungary, where the employee representation's average level of trust in management is the highest in Europe, but where management's level of trust in the employee representation is among the lowest. Similar discrepancies, but much less pronounced, are found in Italy and Cyprus, the two countries where management has the least trust in the employee representation.

## Industrial action

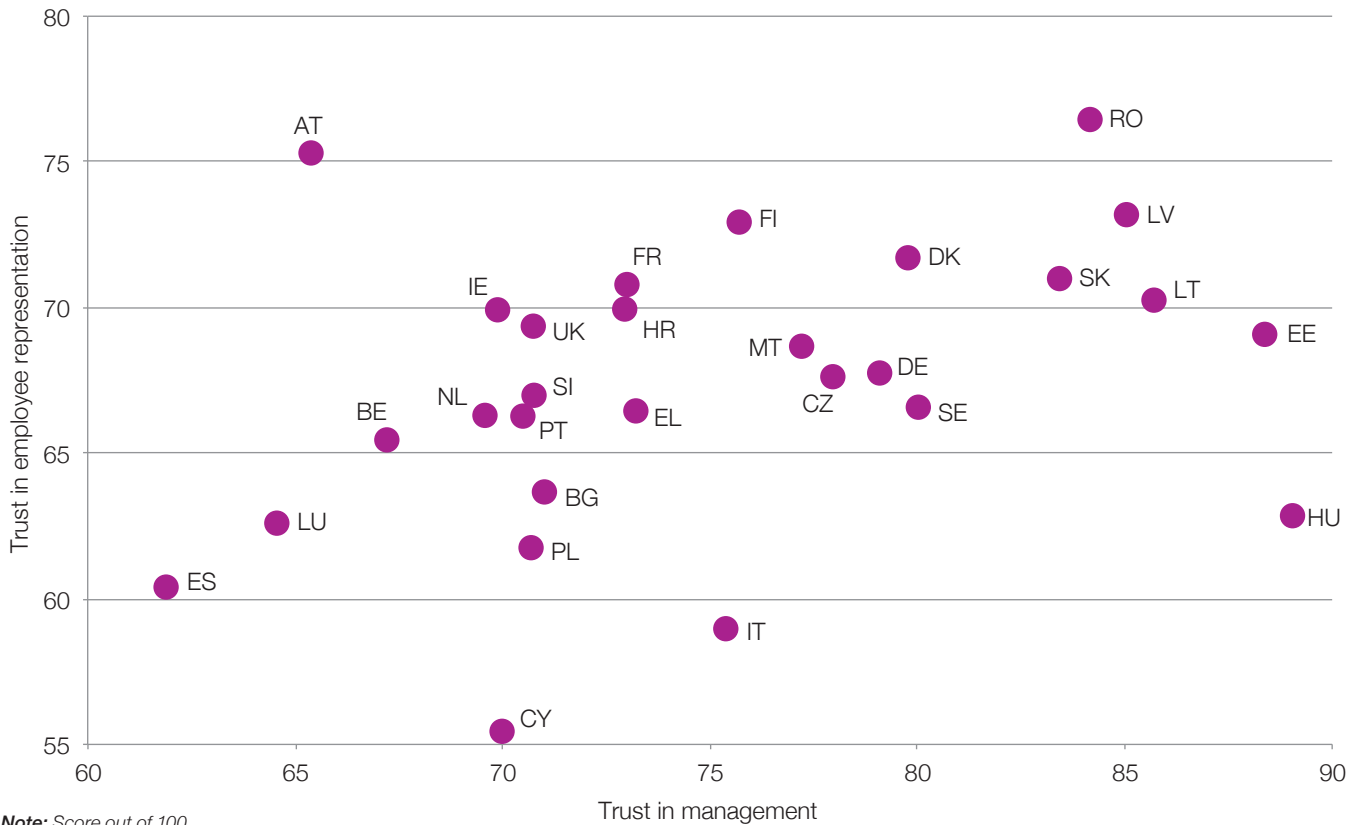
The ECS 2013 included a number of questions about industrial action in the employee representative interview. Industrial action is not reported very frequently: 16% of employee representatives reported that some type of industrial action had taken place at their establishments in the three years preceding the survey. Strikes lasting one day or longer were reported most frequently (9%), followed by shorter work stoppages (7%), work-to-rule (6%) and blockades or occupations (1%). In only 34% of the establishments in which industrial action had taken place did employee representatives report that the action related to an issue that was specific to their company or organisation, implying that most of the industrial action was concerned with more general industrial or social conflicts. In those cases where the issue was specific to the company or organisation, a balanced agreement was reached in 44% of the cases; in 17% of cases, the employer met, or largely met,

the demands of the employees; and in 5%, the employees dropped or largely dropped their demands. In the remaining 35% of cases, the action ended but the issue remained unresolved.

Industrial action is more prevalent in large establishments (reported in 28%) than in medium-sized establishments (19%) and small ones (13%). It is reported most frequently in industry and the other services sector (both 18%) and least frequently in financial services (8%). Industrial action is most reported most frequently in establishments in Portugal (36%), Spain (37%) and Greece (49%) and least frequently in Hungary, Slovakia, Luxembourg and Ireland (all less than 2%). So although the three countries with the highest prevalence of industrial action have all been hit particularly hard by the recession, cultural factors also seem to be at play that could explain the exceptionally high prevalence of industrial action in Greece and the virtual absence of industrial action in Ireland.

## Establishment types: workplace social dialogue

Given that certain aspects of social dialogue appear to co-occur, it is possible to identify distinct groups of establishments based on their social dialogue practices. As a first step, a number of indices were constructed to measure different characteristics of social dialogue.

**Figure 53: Trust in management and employee representation, by country**

**Note:** Score out of 100.

**Source:** ECS 2013 – Management and employee representative questionnaires.

A resource index was constructed by combining information on the sufficiency of allocated time, the availability of training and the availability of funding for external advice.

An information index was constructed by counting the number of areas about which an employee representative has information (the five possible areas were the financial situation, the employment situation, the introduction of new or modified products, the introduction of new or modified processes, and strategic plans).

An index of the employee representation's level of influence on decision-making was constructed by combining information on the perceived levels of influence on the most important decision as judged by employee representatives and on the decisions in all six areas of decision-making (the organisation of work processes, recruitment and dismissals, occupational health and safety, training and career development, working time arrangements and restructuring measures).

An index of the employee representation's level of involvement in the most important decision was constructed based on

whether or not the employee representation was informed, asked for their opinion, or involved in joint decision-making with management.

An index of the level of the employee representation's trust in management was constructed using information on the employee representative's perception of management's efforts in involving the employee representation in solving joint problems, the level of hostility of the relationship with management, the possibility of ill-treatment or losing one's job as a consequence of acting as an employee representation, and the perceived degree to which management can be trusted.

An index of the management's level of trust in the employee representation was constructed based on the degree to which the manager thinks the involvement of the employee representation in important changes leads to more employee commitment, helps in improving the workplace and does not lead to considerable delays, and the perceived degree to which the employee representation can be trusted.<sup>29</sup>

<sup>29</sup> See Annex – ECS 2013: Survey methodology for a description of the compilation of these indices.

A latent class analysis was carried out using the indices above as well as a variable indicating the prevalence of industrial action (of various types) since 2010.<sup>30</sup> The resulting model identified four types of establishments (in descending order of prevalence):

- 'Extensive and trusting';
- 'Moderate and trusting';
- 'Extensive and conflictual';
- 'Limited and conflictual'.

**Table 9: Profiles of establishment types – social dialogue**

	'Extensive and trusting'	'Moderate and trusting'	'Extensive and conflictual'	'Limited and conflictual'	EU28
<b>Group size (%)</b>	<b>39</b>	<b>26</b>	<b>23</b>	<b>12</b>	<b>100</b>
<b>Resources (score 0–100)</b>					
Average score	60	48	55	37	53
<b>Available information (score 0–100)</b>					
Average score	87	74	70	30	73
<b>Employee representation influence on decision-making (score 0–100)</b>					
Average score	62	24	46	10	42
<b>Employee representation involvement in decision-making (%)</b>					
Not involved	0	15	3	52	11
Informed only	1	37	18	38	19
Consulted	8	24	24	7	16
Involved in joint decision-making	91	24	54	2	54
<b>Trust in management (score 0–100)</b>					
Average score	82	77	63	50	72
<b>Trust in employee representation (score 0–100)</b>					
Average score	70	69	61	62	66
<b>Industrial action since 2010 (%)</b>					
Occurred	7	9	42	34	16

**Note:** ■ indicates high importance in distinguishing types, ■ indicates moderate importance and ■ low. Establishments with a formal structure of employee representation only.

**Source:** ECS 2013 – Management and employee representative questionnaires.

<sup>30</sup> Since most of the variables are taken from the employee representative questionnaire, only establishments where an interview with an employee representative was conducted are included in the latent class analysis.



### **‘Extensive and trusting’**

This is the largest type, comprising 39% of all establishments (Table 9). Employee representatives are comparatively well resourced, and enjoy a very high level of provision of information. They are highly involved in making decisions about various aspects of work organisation and have a relatively high level of influence in those decisions. In addition, both management and the employee representation display high levels of trust. This positive constellation of social dialogue characteristics goes hand-in-hand with a very low incidence of industrial action (7%).

### **‘Moderate and trusting’**

This second type comprises around one-quarter of establishments in the group. Employee representatives are not as well-resourced as their counterparts in the ‘Extensive and trusting’ type and they are provided with less information. In addition, their perceived level of influence on key decisions is dramatically lower than in the first type, and they also feel themselves to be less involved in organisational changes. A relatively high level of mutual trust is present in this type coupled with a low incidence of industrial action.

### **‘Extensive and conflictual’**

This third type also comprises around one-quarter of establishments. Employee representatives are comparatively well resourced, and have access to the same level of information provision as those of the ‘Moderate and trusting’ type. The direct involvement of the employee representation in decision-making is substantial, although lower than in the ‘Extensive and trusting’ type. Employee representatives feel they have some influence on decisions taken in the establishment, but still at a comparatively low level, amounting to only half of the maximum in the scale used. Notably, the employee representation’s trust in management is the second lowest of the four types and management’s trust in the employee representation is the lowest. Unlike the first two types, there is a high level of industrial action, 42% of establishments having being involved in at least one form of industrial action in the three years prior to the survey.

### **‘Limited and conflictual’**

This is the smallest type (comprising 12% of all establishments). Employee representatives in this type report being rather badly resourced and being provided with an extremely low level of information; representatives perceive their influence on, and level of involvement in, decision-making as being very limited. The perceptions of employee representatives and management regarding trust differ the most in this type of

establishment: employee representatives trust management less than management trusts them. And this type of establishment is characterised by a relatively high level of incidence of industrial action. Around one-third (34%) of establishments reported that industrial action had occurred in the three years preceding the survey.

The results of the latent class analysis point to the importance of various aspects of the process of social dialogue process. Overall, the four presented types do not differ substantially in terms of availability of resources and the attitude of management towards the employee representation; hence, these two aspects are of low importance. The incidence of industrial action is moderately important for distinguishing between the four types. However, the availability of information, the level of influence of the employee representation on, and their level of involvement in, decision-making as well as their trust in management all differ substantially between the types, implying they are of high importance for the classification.

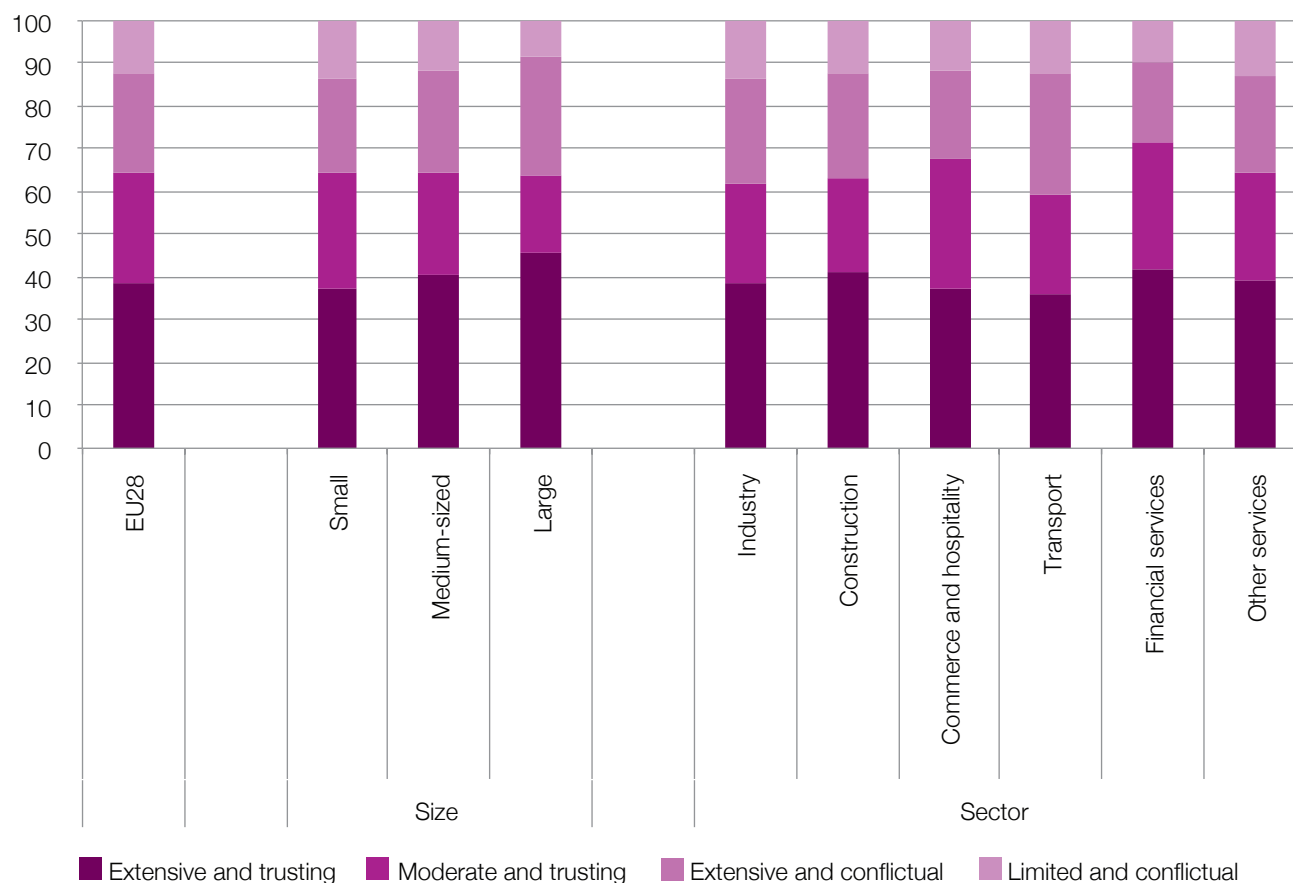
Establishments of the ‘Extensive and trusting’ type provide clear positive examples of well-functioning social dialogue, and conversely, establishments of the ‘Limited and conflictual’ type are examples of the situation in which a lack of resourcing and a lack of trust goes hand-in-hand with a high likelihood of industrial action. However, the relationship between the various characteristics of social dialogue, mutual trust and the presence of industrial action is by no means a simple one, as is indicated in the profiles of the other two types of social dialogue establishment. In particular, it appears that a high level of trust in management, coupled with appropriate information provision (an environment that smaller companies seem to be more likely to create), can compensate for the more limited resourcing of the employee representation and a lower level of involvement: hence, it can create a relatively stable and functional work environment. Likewise, the ‘Extensive and conflictual’ type of organisation illustrates that relatively good resourcing of the employee representation and a high level of involvement in decision-making are not necessarily associated with high levels of trust and a high level of influence of the employee representation on the outcomes of decision-making.

## **Distribution of types across structural characteristics**

### **Size and sector**

The prevalence of the ‘Extensive and trusting’ and ‘Extensive and conflictual’ types increases slightly with establishment size, while the opposite is the case for the ‘Moderate and trusting’ and ‘Limited and conflictual’ types (Figure 54). In terms of sectors, the ‘Extensive and trusting’ and ‘Moderate and



**Figure 54: Types of social dialogue establishment, by establishment size and sector (%)**


Source: ECS 2013 – Management and employee representative questionnaires.

trusting' types are more prevalent in the services sectors than in construction, industry and transport. The transport sector stands out with a relatively high proportion of establishments of the 'Extensive and conflictual type'.

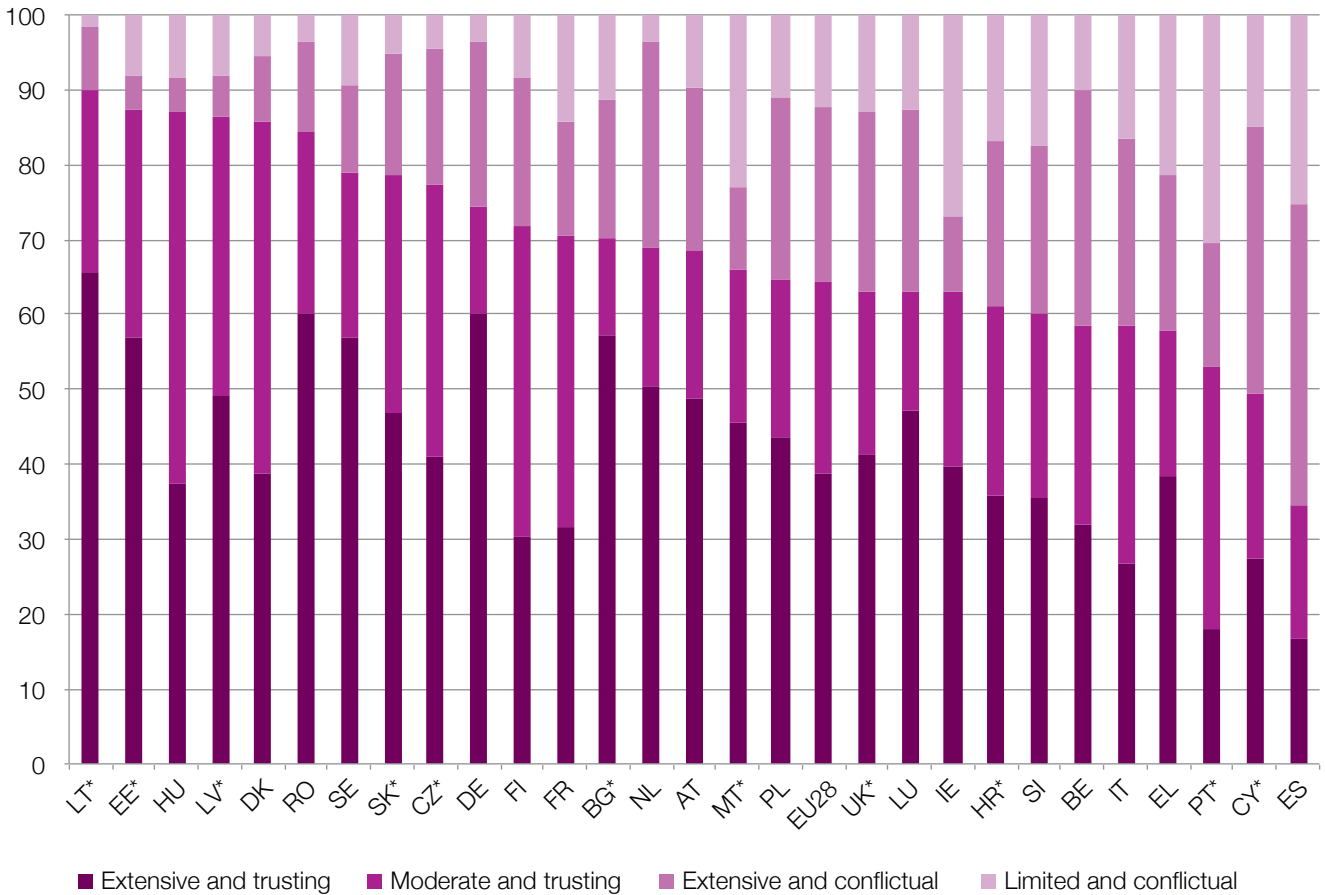
## Country

All four types of workplace social dialogue organisation are found in every Member State, but there is considerable variation in the distribution of the four types (Figure 55). The findings should be interpreted in light of the context of industrial relations in each Member State. In particular, as previously seen in Figure 44, there is considerable variation in the incidence of official employee representation across countries, ranging from around 9% in Portugal and Latvia up to 70% in Finland and 80% in Denmark. Taking this information into account, it can be seen that in some countries where workplace employee representation is a relatively rare phenomenon – such as Lithuania and Hungary – workplace social dialogue is set up in a meaningful way. On the other hand, in Greece, Italy and Cyprus, the situation is quite the opposite, a minority of establishments with

employee representation structures belonging to a substantial extent to the two 'conflictual' social dialogue establishment types. Finally, there is a group of countries such as Denmark, Latvia and Estonia, where a relatively large proportion of establishments with employee representation is coupled with a relatively high incidence of the two 'trusting' social dialogue establishment types.

- The 'Extensive and trusting' type is most prevalent in Lithuania, Germany and Romania, where it represents a majority of establishments. It is least common in Spain and Portugal, accounting for fewer than 20% of establishments.
- The 'Moderate and trusting' type is most prevalent in Hungary, Denmark, Finland and France, where it accounts for around 40% of establishments. It is least prevalent in Bulgaria, Germany and Luxembourg, where only around 15% of establishments are of this type.
- The 'Extensive and conflictual' type is relatively common in Spain, Cyprus and Belgium (where it accounts for up to 40% of establishments) and is least common in Estonia,

**Figure 55: Distribution of types of social dialogue establishment, by country (%)**



**Note:** \* In countries marked with an asterisk, the number of cases in the analysis is less than 100: Bulgaria (88), Czech Republic (92), Estonia (73), Ireland (47), Croatia (57), Cyprus (79), Latvia (31), Lithuania (90), Malta (27), Portugal (60), Slovakia (57), and the UK (90).

**Source:** ECS 2013 – Management and employee representative questionnaires.

Hungary and Latvia, comprising only around 5% of establishments in these countries.

- Finally, the ‘Limited and conflictual’ type is most common in Portugal, Ireland, Spain, Malta and Greece, where its frequency varies from around one-third to one-fifth of establishments; it is least prevalent in Lithuania, Germany, the Netherlands and Romania, where fewer than 5% of establishments belong to this type.

## Scores on workplace well-being and establishment performance

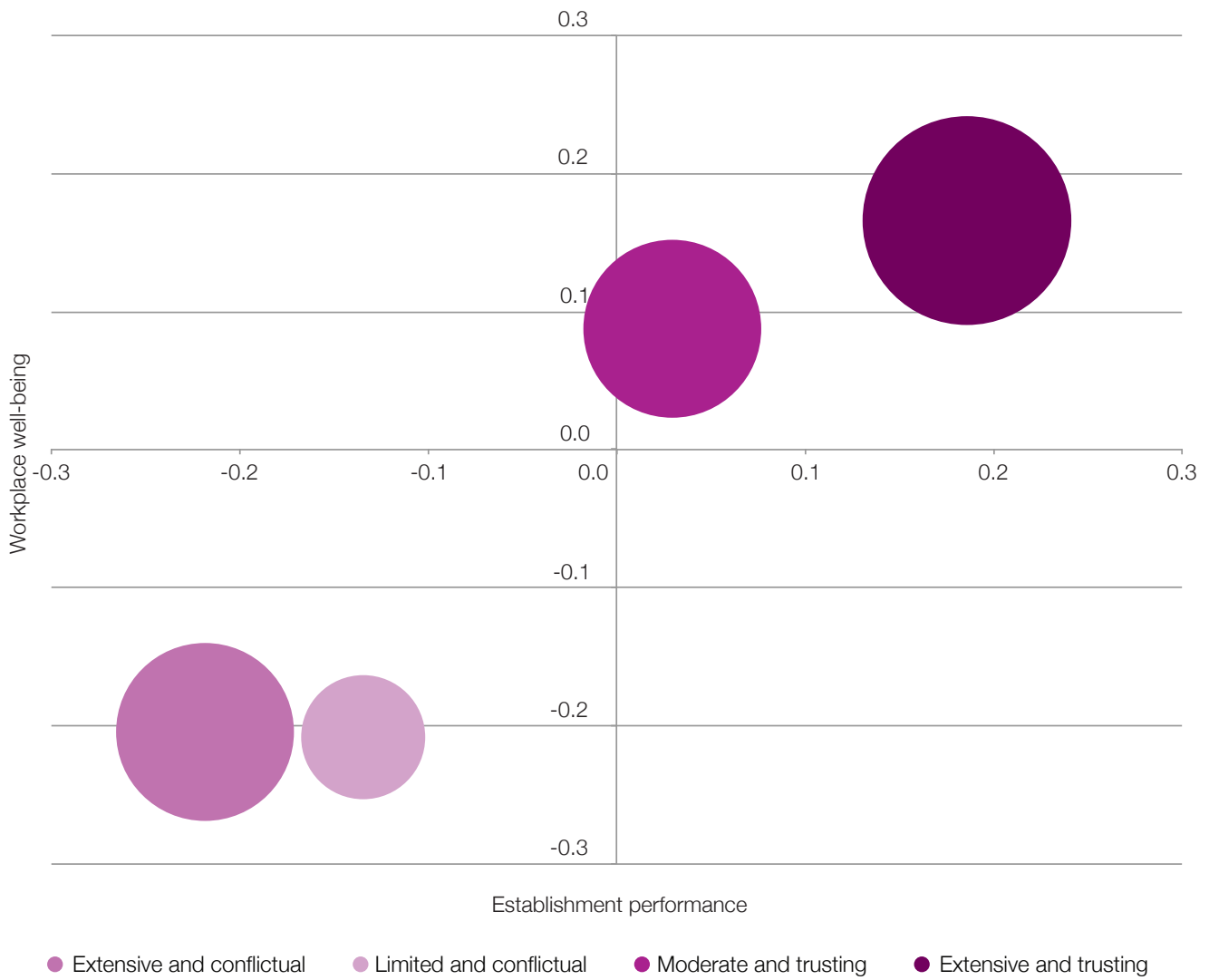
Figure 56 provides a further indication of the importance of high-quality social dialogue. The figure shows that establishments of the ‘Extensive and trusting’ and the ‘Moderate and trusting’ types score highest in terms of both establishment performance and workplace well-being. Although the

‘Moderate and trusting’ type scores slightly lower on performance and well-being, these differences are not statistically significant, when controlling for the effects of establishment size, sector and country.<sup>31</sup>

On the other hand, both types characterised by a conflictual environment are found at the bottom left of the graph, indicating poorer establishment performance and poorer workplace well-being. Even though establishments of the ‘Extensive and conflictual’ type score slightly worse in terms of performance than do those of the ‘Limited and conflictual’ type, this difference is not statistically different. The low score of the ‘Extensive and conflictual’ type implies that when relationships between workers and management are strained, a greater involvement on the part of the employee representation is not necessarily associated with better performance.

<sup>31</sup> It is important to note that, in this case, sample size is substantially smaller than in other latent class models presented in the report, as these data include only establishments where the employee representative was interviewed. Consequently, confidence intervals are wider and differences need to be larger in order to be statistically significant.

**Figure 56: Establishment-level outcomes, by type of social dialogue**



**Note:** For an explanation of the graph, please refer to Figure 14.  
**Source:** ECS 2013 – Management and employee representative questionnaires.

# MAIN FINDINGS

## Employee participation and social dialogue

### Direct employee participation

**Instruments for enabling employee participation:** Interactive instruments, such as meetings, are in use in a large majority of establishments. Top-down instruments, such as newsletters, are the second most prevalent. Bottom-up instruments, like employee surveys, are least prevalent. All instruments are used more widely in larger establishments than in smaller ones.

**Level of direct involvement:** Establishments are quite likely to involve their employees directly in important decisions in the establishment: 48% of managers report involving employees in joint decision-making and a further 18% report consulting them. Involving employees in joint decision-making is more prevalent in larger establishments. The use of ad hoc groups – which might be used as an alternative way to involve employees directly, but might also include official employee representatives – is reported in 26% of establishments.

**Attitudes toward direct participation:** The attitudes of both management and the employee representation towards direct employee participation are generally positive, and tend to coincide.

**Types of establishment:** Three types of establishments were distinguished. Establishments of the ‘Extensive and supported’ type (57% of establishments) combine a large number of instruments with a high level of involvement and positive attitudes. Establishments of the ‘Moderate and unsupported’ type (15% of establishments) also have a moderate level of employee involvement but a relatively negative attitude on the part of management. In establishments of the ‘Low effort and little change’ type (28% of establishments), managers reported that very few changes had occurred, and in the rare situations that changes did occur, not much effort had been made to facilitate direct participation.

**Distribution of the types:** The ‘Extensive and supported’ type is more prevalent in larger establishments and both the ‘Moderate and unsupported’ type and ‘Low effort and little change’ type are more prevalent in smaller establishments.

The ‘Extensive and supported’ type is more prevalent in the other services and financial services sectors and somewhat less common in the construction and transport sectors. Country differences are quite pronounced with the ‘Extensive and supported’ type being more prevalent in northern and central European countries and the ‘Moderate and unsupported’ and the ‘Low effort and little change’ type being more prevalent in eastern and southern European countries.

**Scores on performance and well-being:** Establishments of the ‘Extensive and supported’ type score highest with regard to both workplace well-being and establishment performance. On the other hand, establishments of the ‘Moderate and unsupported’ type score lowest on well-being while establishments in the ‘Low effort and little change’ type have lowest score on performance.

### Workplace social dialogue

**Resources of the employee representative:** The majority of employee representatives report being fairly well resourced in terms of the availability of time, with only 5% having insufficient time and another 6% not allowed to use working time. Around one-third (32%) report having received training and 37% having access to external advice. The availability of both training and of external advice varies greatly between countries.

**Availability of information:** A large majority of employee representatives (75%) reports having received information on the financial situation of the establishment and its employment situation (80%). Information provision is better in larger establishments, and country differences are quite pronounced. Employee representatives tend to be satisfied with the timeliness and quality of the information provided.

**Level of involvement:** In the majority of establishments, the employee representation is involved in joint decision-making on important decisions (58% according to managers, 54% according to employee representatives). However, in around

30% of establishments, the employee representation is not involved in, or only informed about, important decisions.

**Level of influence:** Around half of the employee representatives (52%) report having had at least some influence, and 17% a strong influence, on the most important decision taken in the establishment in recent years. The employee representation reports having had the most influence on decisions concerning occupational health and safety and working time arrangements and the least influence on issues concerning recruitment, and dismissals and restructuring.

**Trust:** Overall, 83% of employee representatives trust management in the establishment and 91% of managers trust the employee representation. In 76% of establishments where an employee representation is present, mutual trust exists between management and the employee representation. In most countries, average levels of trust are similar for management and the employee representation, with the exception of Austria (where average levels of trust in the employee representation are high and average levels of trust in management are low) and Hungary, Italy and Cyprus (where the average level of trust in management is high but the average level of trust in the employee representation is low).

**Industrial action:** Overall, 16% of employee representatives reported that some type of industrial action had taken place at their establishments in the three years preceding the survey. Strikes lasting one day or longer were reported most frequently (9%), followed by shorter work stoppages (7%), work-to-rule (6%) and blockades or occupations (1%). Industrial action is more prevalent in larger establishments and most prevalent in the countries that have been hit particularly hard by the crisis (Portugal, Spain and Greece).

**Types of establishment:** In terms of social dialogue, four types of establishment were distinguished. In the 'Extensive and trusting' type (39% of establishments), employee representatives are well resourced and highly involved, levels of trust are high, and industrial action is rare. In the 'Moderate and trusting' type (26% of establishments), employee representatives are moderately resourced and involvement and influence are limited; nevertheless, levels of trust are high. In establishments of the 'Extensive and conflictual' type (25% of establishments), employee representatives are well resourced and highly involved and have moderate levels of influence; however, levels of trust are low, and industrial action is relatively prevalent. In establishments of the 'Limited and conflictual' type, employee representatives lack resources and information and have little influence. Levels of trust are low, and industrial action is relatively common.

**Distribution of the types:** The prevalence of the 'Moderate and trusting' type increases as establishment size decreases; in contrast, the prevalence of the 'Extensive and conflictual' type increases as establishment size increases. The 'Extensive and trusting' and 'Moderate and trusting' types are more prevalent in the services sectors than in construction, industry and transport. The transport sector stands out with a relatively high proportion of establishments of the 'Extensive and conflictual type'. Country differences are large but there is no clear-cut pattern, except that both the conflictual types of social dialogue are a lot more prevalent in Spain than in the other countries.

**Scores on performance and well-being:** The 'Extensive and trusting' type scores highest in terms of establishment performance and well-being, the 'Moderate and trusting' type scores slightly below average on performance and slightly above average on well-being. Both of the types characterised by a conflictual environment score low in terms of both performance and well-being.

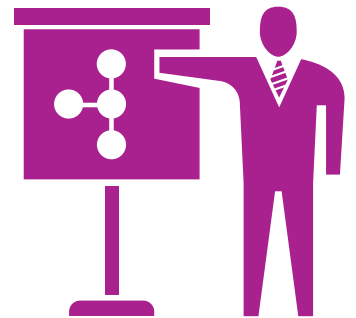


**SYSTEMATIC  
AND INVOLVING**



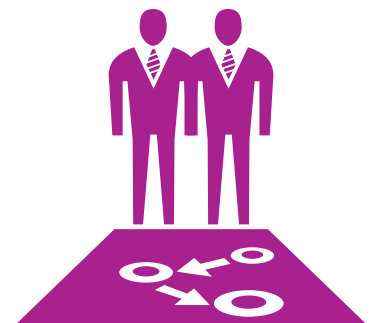
**EXTERNALLY  
ORIENTED**

**TOP-DOWN AND  
INTERNALLY-  
ORIENTED**



**PASSIVE  
MANAGEMENT**

**INTERACTIVE  
AND INVOLVING**



# Combining workplace practices







# CHAPTER 12

## Combining workplace practices

The previous chapters categorised establishments on the basis of aspects of their work organisation, and their practices in human resource management, employee participation and social dialogue. This chapter takes the analysis one step further to arrive at a more comprehensive overall classification of establishments, by examining how practices across these areas relate to each other. It then goes on to examine the structural characteristics of the establishments in each of five overarching groups that are identified, including analysis of their prevalence across Europe, and how they differ in terms of establishment performance and workplace well-being. This chapter will also look at differences between the groups in terms of their level of innovation.

### Bundles of practices

In each chapter of this report, an effort was made to highlight differences and similarities between establishments. Establishments were grouped together in terms of similarities in their circumstances or in the way in which they combine certain practices. The next section summarises the findings from Chapters 2–11.

### Work organisation

#### Collaboration and outsourcing

Establishments were grouped on the basis of the extent to which they did or did not outsource to or collaborate with external companies in design and development, in the production/provision of goods or services, and in sales and marketing. Three types of establishments were distinguished.

**‘Extensive’:** Such establishments make extensive use of collaboration with and outsourcing to external companies.

**‘Moderate’:** Overall, these establishments make moderate use of collaboration and outsourcing: quite a number of them do engage in collaboration but only a few in outsourcing.

**‘Limited’:** These establishments rarely collaborate with other establishments or outsource activities.

It was shown that establishments of the ‘Extensive’ type have higher scores in terms of establishment performance than the

other two types, while the three types do not differ substantially in terms of scores on the workplace well-being index.

#### Internal organisation and information management

Looking at practices with regard to quality control, process management, knowledge management and the internal task divisions in terms of departments and teams, two types of establishment were distinguished.

**‘Highly structured’:** In these establishments, teamwork is relatively prevalent, there is an explicit task division between departments and there are deliberately implemented practices for competitive intelligence and knowledge management.

**‘Moderately structured’:** In these establishments, tasks are less systematically divided between different types of departments, teamwork is less prevalent, and practices for competitive intelligence and knowledge management are much less developed.

Establishments with a ‘Highly structured’ approach to internal organisation and information management have higher average scores on both the establishment performance index and the workplace well-being index than ‘Moderately structured’ establishments.

#### Decision-making on daily tasks

A key element of work organisation is the autonomy that workers and teams have in making decisions. Two types of establishment were distinguished in this respect.

**‘Top-down’:** In establishments of the ‘Top-down’ type, decisions regarding daily tasks are usually taken by managers and supervisors.

**‘Joint’:** In establishments of the ‘Joint’ type, decision-making is normally shared between managers or supervisors and employees.

Establishments where decision-making on daily tasks is made on a joint basis score better than establishments of the ‘Top-down’ type on both establishment performance and workplace well-being.

## Human resource management

### Recruitment, employment and career development

By looking at the reported changes in net employment, the need to reduce staff, the ability to find employees with the appropriate skills, and issues with retention of employees, three types of establishments were identified.

**‘Business-as-usual’:** These establishments do experience some fluctuations in employment, but are rarely faced with difficulties in finding the right staff.

**‘Shortage of matching skills’:** at the time of the survey, establishments of this type were expanding their workforce and looking for staff with the appropriate set of skills to fill the posts.

**‘Reduction in workforce’:** These establishments have had to make a number of staff redundant but still sometimes have difficulties finding and keeping the right people.

Establishments of the ‘Business-as-usual’ type have higher scores for both workplace well-being and establishment performance; those of the ‘Shortage of matching skills’ type have lower scores for well-being; and the ‘Reduction in workforce’ type has the lowest scores for both well-being and establishment performance.

### Training

Establishments differ with regard to the extent to which they provide time off for training, and provide training on the job. On the basis of these criteria, four types of establishments were distinguished.

**‘No training’:** These establishments provide virtually no training of any kind.

**‘On-the-job only’:** The vast majority of these establishments offer on-the-job training only.

**‘Selective’:** These establishments have a selective approach to training, providing both on-the-job training and paid time off for training, but doing so for only a limited number of employees.

**‘Encompassing’:** This type of establishment provides both types of training to the majority of employees.

The broader the range of training options and the wider their coverage, the higher the scores for both workplace well-being

and establishment performance; the differences are largest for establishment performance.

### Working time flexibility

The ECS 2013 included questions on the flexibility of establishments’ working time arrangements in terms of three aspects: the extent to which employees could decide their own starting and finishing times on a given day; whether it was possible to accumulate overtime (to be taken as leave at a later date); and the extent to which part-time work was used in the establishment. Three types of establishments were distinguished.

**‘Limited’:** Most of these establishments do not allow their employees to determine their own starting and finishing times, nor to accumulate overtime; a substantial proportion has no part-time employees at all.

**‘Selective’:** These establishments have various flexible working time arrangements but these are usually only available to some of their employees. Part-time work is relatively prevalent in these establishments.

**‘Encompassing’:** These establishments have a broad range of flexible working time arrangements that usually are available to most or all employees; they also have a relatively high prevalence of part-time work.

Establishments of the ‘Encompassing’ type in terms of working time flexibility have the highest scores for both workplace well-being and establishment performance. Establishments of the ‘Selective’ type, offering these schemes to a selected number of employees only, score higher in terms of performance than do establishments of the ‘Limited’ type; however, these two types do not differ much in terms of workplace well-being.

### Variable pay

Three types of establishments were distinguished in terms of their practices with regard to variable pay schemes.

**‘Limited’:** These establishments do not offer any variable pay schemes.

**‘Moderate’:** This type of establishment offers only a limited range of variable pay schemes, focusing mainly on performance-related pay.

**‘Extensive’:** This type, offering a broad range of variable pay schemes, comprises only a small minority of establishments. Establishments of this type are particularly oriented towards financial participation schemes.

A greater presence and breadth of variable pay schemes coincide with higher scores for both workplace well-being and establishment performance.

## Employee participation and social dialogue

### Direct employee participation

Establishments differ markedly in the number of instruments they use to facilitate employees' direct participation in strategic decision-making. Other important aspects in this respect include the extent to which management takes the employee voice into account in its decisions, and its attitudes toward such participation. The latent class analysis conducted, which included these three indicators, identified three types of establishments.

**'Extensive and supported':** Establishments of this type actively facilitate direct employee participation using most of the available instruments. Management attitudes towards direct employee participation are very positive and employees are likely to be directly involved in decision-making.

**'Low effort and little change':** This type of establishment makes only limited efforts towards direct employee participation in terms of the number of instruments used. In most establishments, no changes had taken place in any of the areas that were asked about; in those establishments where changes were reported, employees were only marginally involved in decision-making. Management attitudes toward direct employee participation are still positive in two-thirds of these establishments.

**'Moderate and unsupported':** Establishments of this type make slightly more of an effort – in terms of the number of instruments used – to enable direct employee participation. Also, in such establishments, employees tend to be much more directly involved in decision-making than in the previous type. However, in the majority of these establishments, management has a negative attitude towards employee participation.

In terms of outcomes, the results showed that a favourable environment for direct employee participation – as in the 'Extensive and supported' type of establishment – coincides with higher scores for workplace well-being and establishment performance.

### Workplace social dialogue

The latent class analysis that was conducted grouped establishments in terms of their social dialogue practices on the basis of a number of aspects examined in the survey: the resources and information available to the employee representation; the level of participation in, and influence on, key decisions; trust in management and trust in the employee representation; and the prevalence of industrial action. Four types of establishments were distinguished.

**'Extensive and trusting':** The situation in establishments of this type is very positive. Employee representatives are well-resourced and well-informed, have a high level of involvement in and influence on decision-making, levels of mutual trust are high, and industrial action is rare.

**'Moderate and trusting':** Employee representatives in this type of establishment are not as well-resourced as their counterparts in the first type, and they receive less information. The employee representation has only a moderate level of involvement in, and influence on, key decisions. However, levels of mutual trust are fairly high, and the prevalence of industrial action is relatively low.

**'Extensive and conflictual':** In establishments of this type, the level of resources at the disposal of employee representatives, the level of information provided to them and their level of involvement in decision-making are all relatively high. However, the employee representation's perceived level of influence on decisions taken in the establishment is relatively low, as is mutual trust. In addition, industrial action is fairly prevalent.

**'Limited and conflictual':** This type is characterised by a poorly resourced employee representation, one that is provided with low levels of information and has limited involvement in and influence on decision-making. Levels of mutual trust are low, and industrial action is relatively prevalent.

The analysis found that when there is a good relationship between employees and management, scores for workplace well-being and establishment performance tends to be higher – even more so when the level of involvement is higher. Establishments of the 'Extensive and trusting' and 'Moderate and trusting' types score highest in terms of both establishment performance and workplace well-being. Establishments of both the 'Limited and conflictual' type and the 'Extensive and conflictual' types have lower scores for establishment performance and poorer workplace well-being.

## Combining the types: five groups

To find out what overall combinations of approaches are found in European establishments, a latent class analysis was carried out using the results of eight of the nine typologies presented above. The typology based on social dialogue practices had to be excluded from these analyses because it is largely based on questions from the employee representative interview, which was administered in only one-third of establishments. Instead of this typology, the variable indicating the presence of an official structure of employee representation at the establishment was used. The analysis identified five groups of establishments (see Table 10):

- **‘Systematic and involving’;** 
- **‘Externally oriented’;** 
- **‘Top-down and internally oriented’;** 
- **‘Passive management’;** 
- **‘Interactive and involving’.** 

### ‘Systematic and involving’

This is the largest group of establishments (comprising 30% of all establishments). Although 68% of these establishments are carrying out business-as-usual in terms of employment, this group also comprises the highest proportion of establishments

that are searching for staff with the right skills (21%) – and therefore have some difficulties in this regard.

Establishments in this group are likely to: make moderate use of collaboration (65% doing so); adopt a highly structured approach to internal organisation and information management (87%); and take a top-down management approach (72%).

Human resource management practices are characterised by a relatively high degree of flexibility in terms of both working time and pay: around 76% of establishments offer either encompassing or selective working time flexibility (56% and 23% respectively) and either a broad or limited range of variable pay schemes (21% and 59% respectively). In addition, almost all have either a selective approach to training (65%) or a comprehensive approach (33%). Finally, in almost all establishments (87%), the environment for direct participation is favourable and around half (51%) have employee representation structures, more than in any other group.

### ‘Externally oriented’

This is the second-largest group, containing 25% of establishments. Establishments in this group generally experience business-as-usual in recruitment (77% doing so), with the remaining establishments being divided more or less equally between those having to make a reduction in the workforce (11%) and those dealing with a shortage of matching skills (12%).

The group comprises a relatively large proportion of establishments (67%) that make extensive use of collaboration with and outsourcing to external companies, combined with a very large proportion of establishments with only a moderately structured approach to internal task division and business intelligence (80%). This indicates that establishments that rely heavily on other companies or establishments to develop, produce, market, and sell their products or services are less likely to have well-developed internal structures. Most establishments in this group have a top-down approach to decision-making on daily tasks (68%).

**Table 10: Profile of the five groups of establishments (%)**

	'Systematic and involving'	'Externally oriented'	'Top-down and internally oriented'	'Interactive and involving'	'Passive management'	EU 28
<b>% of all establishments</b>	<b>30</b>	<b>25</b>	<b>21</b>	<b>12</b>	<b>12</b>	<b>100</b>
<b>Collaboration and outsourcing</b>						
'Extensive'	15	67	18	26	59	35
'Moderate'	65	20	33	43	13	38
'Limited'	20	12	49	32	28	27
<b>Internal organisation and information management</b>						
'Highly structured'	87	20	67	59	8	53
'Moderately structured'	13	80	33	41	92	47
<b>Decision-making on daily tasks</b>						
'Joint'	28	32	19	69	36	33
'Top-down'	72	68	81	31	64	67
<b>Employment and recruitment</b>						
'Business-as-usual'	68	77	73	92	88	77
'Shortage of matching skills'	21	12	9	7	5	13
'Reduction of workforce'	11	11	18	1	6	11
<b>Training</b>						
'Encompassing'	33	20	14	25	3	21
'Selective'	65	64	60	64	39	61
'On-the-job only'	2	7	7	5	10	6
'No training'	0	8	19	6	48	13

Table 10 continued

Working time flexibility						
'Encompassing'	56	39	29	36	19	39
'Selective'	23	48	56	16	68	41
'Limited'	20	13	16	48	13	20
Variable pay schemes						
'Extensive'	21	4	2	7	1	9
'Moderate'	59	44	34	52	16	44
'Limited'	20	52	64	42	83	47
Direct employee participation						
'Extensive and supported'	87	47	54	81	17	61
'Moderate and unsupported'	10	18	14	0	4	11
'Low effort and little change'	3	35	32	19	79	29
Presence of employee representative						
'Yes'	51	30	30	21	7	32
'No'	49	70	70	79	93	68

**Note:** ■ indicates high importance in distinguishing types, ■ moderate importance, and ■ low.

**Source:** Management and employee representative questionnaires.

Establishments in this group tend to provide either selective working time flexibility (48%) or encompassing working time flexibility (39%) and have a selective or encompassing approach to training (64% and 20% respectively). Variable pay schemes are not very prevalent: 44% of establishments provide only a moderate range of variable pay schemes and only 4% of establishments provide an extensive range. In terms of direct employee participation, the proportion of establishments with a low effort in involving employees in (rare) occurrences of change is relatively high (35%). However, most of the remaining establishments (47%) enable extensive and highly supported participation. Employee representation structures are present in 30% of establishments, which is similar to the overall average.

### 'Top-down and internally oriented'

This group comprises 21% of all establishments. Most (73%) conduct business-as-usual in terms of recruitment. Although only a small minority (18%) have had to make a reduction in

the workforce, this proportion is still relatively high compared with the other groups. Establishments tend either to make moderate or limited use of collaboration and outsourcing (33% and 49% respectively). Predominantly, they adopt a highly structured approach to internal organisation and information management (67% doing so) and a top-down approach to decision-making on daily tasks (81%).

In terms of human resource management practices, establishments in this group tend to offer moderate levels of working time flexibility (56% offering selective and 29% encompassing working time flexibility). They also tend to operate variable pay schemes to only a limited extent (64% offering a limited range of schemes). As do most of the other groups, more than half of the establishments in this group (60%) take a selective approach to training. In terms of direct employee participation, around one-third (32%) use little effort and have few instances of change in internal procedures, but – as in the 'Externally oriented' group – most of the remaining establishments (54%)



enable extensive, highly supported, participation. Employee representation bodies exist in 30% of these establishments.

### **‘Interactive and involving’**

This group comprises 12% of establishments. It has the highest proportion of establishments conducting business-as-usual in recruitment (92%) and the lowest proportion of establishments with a reduction in workforce (1%). Establishments in this group are more or less equally distributed across the types relating to collaboration and outsourcing and to internal organisation and information management. They also stand out due to the very high proportion (69%) that take a joint approach to decision-making on daily tasks; however, apparently somewhat at odds with this, is the high proportion of establishments (48%) that offer only limited working time flexibility. On the other side, those establishments that do offer working time flexibility tend to offer it to all or almost all employees, 36% offering an encompassing form. Some form of variable pay scheme is present in the majority of these establishments: 52% of establishments offer a limited range of variable pay schemes and an additional 7% offers a broad range. The distribution across the different approaches to training for the ‘Interactive and involving’ group is close to the average across all five groups: 64% of establishments have a selective approach to training and 25% have an encompassing approach. A large proportion of establishments in this group (81%) offer extensive opportunities for direct employee participation, while the remaining 19% have moderate levels of involvement. The incidence of official employee representation in this group is slightly lower than average (21%).

### **‘Passive management’**

Finally, this group contains 12% of all establishments. The vast majority (88%) of establishments in this group operate on a business-as-usual basis in terms of recruitment, only a very small proportion (5%) having to deal with a shortage of matching skills. The majority of these establishments (59%) make extensive use of collaboration and outsourcing of work to external companies; otherwise, most of the remaining establishments (28%) are of the limited type, rarely collaborating or outsourcing.

This group has the highest proportion of establishments with a moderately structured internal division of labour and information management (92%); however, most establishments (64%) have a top-down approach to management. Working time flexibility is mostly offered selectively (68%). Variable pay schemes are rarely used in this group of establishments, with

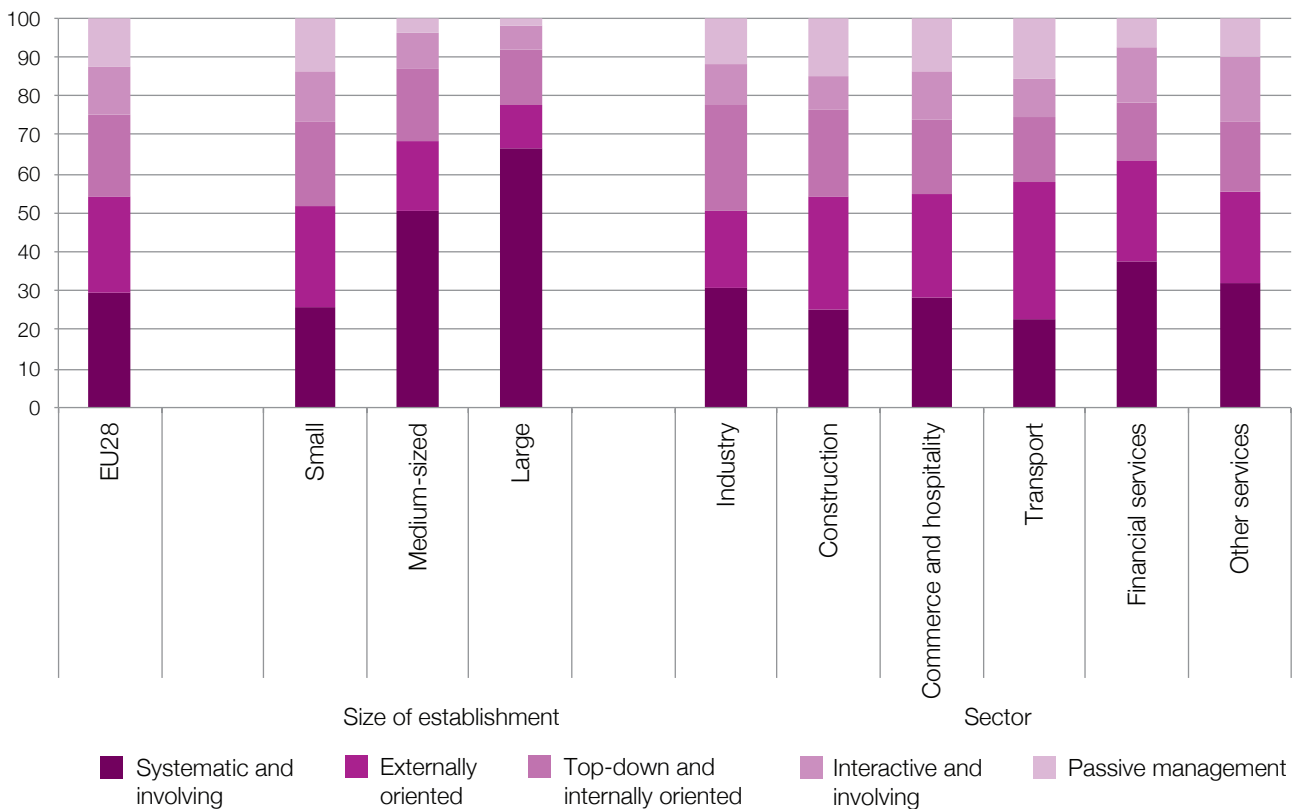
83% having only limited schemes. This group also stands out in terms of the large proportion of establishments (48%) that offer no training and the proportion of establishments that offer on-the-job training only (10%, greater than all the other groups). Where training is offered, it tends to be offered selectively (39%). This is also the group that has the largest proportion of establishments (79%) in which the level of effort made to enable direct employee participation is low: in very few establishments are changes reported.<sup>32</sup> It also has by far the fewest establishments with extensive and highly supported direct employee participation (17%). In addition, the very low level of direct employee participation in this group is accompanied by a low incidence of employee representation structures (7%), indicating a very limited role for any kind of employee involvement in establishments belonging to this group.

The five groups differ most in the degree to which they structure their internal organisation, with ‘Systematic and involving’ and ‘Passive management’ at the two extremes of the spectrum. The second-most important indicator for the overall classification is practices with regard to direct employee participation: the ‘Interactive and involving’ and ‘Systematic and involving’ groups are both substantially different from the other three groups on this indicator. There are also moderate differences between the five groups in terms of: collaboration and outsourcing; decision-making on daily tasks; working time flexibility; variable pay schemes; and presence of employee representative structures. Finally, the five groups differ the least in terms of their approaches to employment and recruitment, and training.

Three out of the five types that have been distinguished show quite a close resemblance with approaches to work organisation and human resource management identified in previous research (Eurofound, 2009; European Commission, forthcoming). In particular, establishments in the ‘Systematic and involving’ group frequently show characteristics of ‘high performance work systems’: a high prevalence of (autonomous) teamwork, flexible working time arrangements, training, variable pay schemes and employee participation. Likewise, establishments in the ‘Interactive and involving’ group show similarity with ‘discretionary learning’ forms of organisations. These differ from ‘high performance work systems’ in that even more emphasis is placed on individual and team autonomy; also, the organisational structure is much less formalised. Establishments in the ‘Passive management’ group resemble ‘traditional or simple organisations’, characterised by a (simple) informal management structure and limited attention to work organisation and HRM practices.

<sup>32</sup> These are changes in the remuneration system, use of technology, work allocation, recruitment policies and working time arrangements (see Box 3 on p. 85).

**Figure 57: Distribution of groups of establishments by structural characteristics (%)**



Source: ECS 2013 – Management and employee representative questionnaires.

## Establishment groups: structural characteristics

### Size and sector

The five groups differ substantially in terms of the structural characteristics of the establishments they contain. First of all, there are important differences between establishments of different sizes (Figure 57). The majority of large establishments and around half the medium-sized ones belong to the ‘Systematic and involving’ group. In contrast, the other four groupings are more prevalent among smaller establishments, especially the ‘Passive management’ and ‘Externally oriented’ groups. This implies that there is an association between the size of an establishment and its approach to internal organisation and information management, which is likely to be more systematic and comprehensive in larger companies.

Establishments in the ‘Systematic and involving’ and ‘Interactive and involving’ groups are more prevalent among financial services and other services sectors; these sectors are underrepresented in the ‘Externally oriented’ and ‘Passive

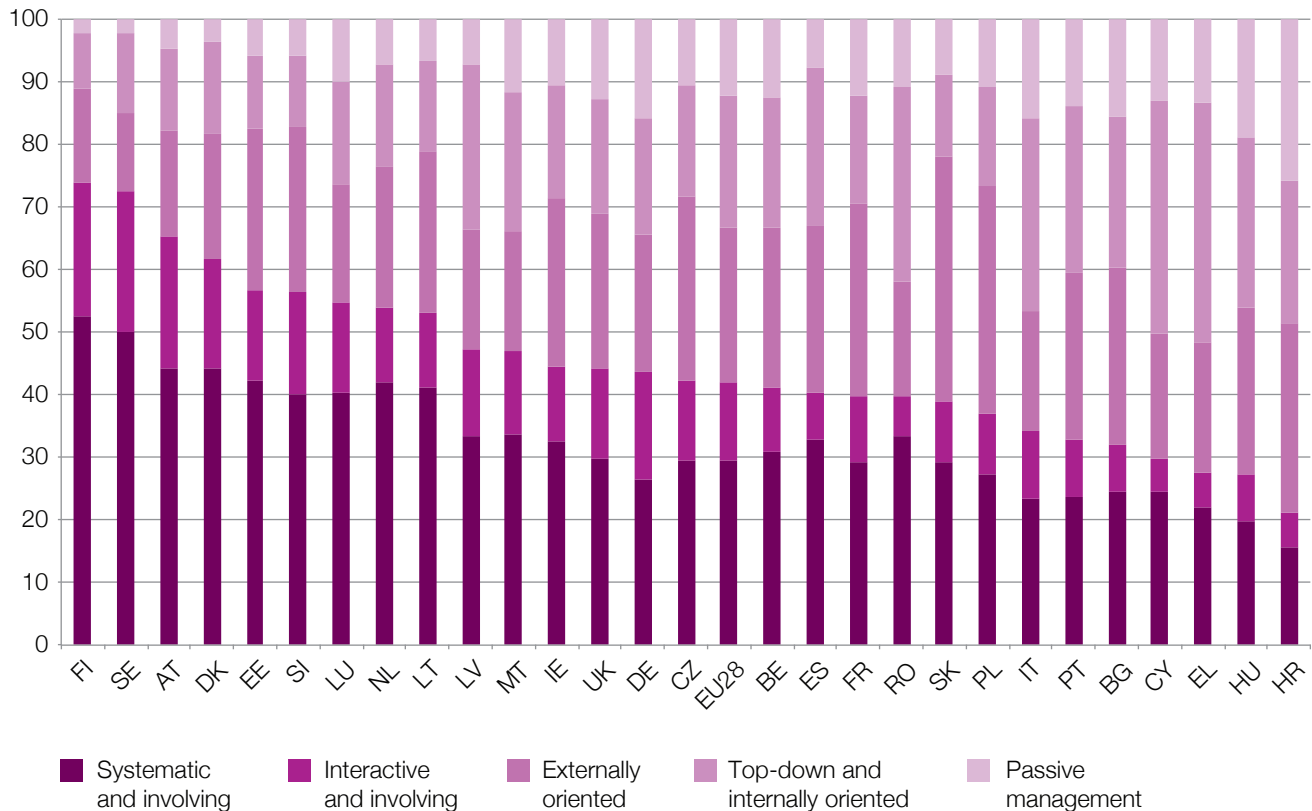
management’ group. Establishments in the industry sector are overrepresented in the ‘Top-down and internally oriented’ group while those in the transport and construction sectors are overrepresented in the ‘Externally oriented’ and ‘Passive management’ groups. The distribution of establishments in the commerce and hospitality sector across the five groups is very similar to the overall distribution.

### Country

Countries differ considerably in terms of the prevalence of establishments of the different groups (Figure 58). Both the ‘Systematic and involving’ and the ‘Interactive and involving’ groups are most prevalent in Finland, Sweden, Austria and Denmark: together, the two groups account for more than 70% of establishments in Finland and Sweden and more than 60% in Austria and Denmark. These are all countries with a long history of, and institutional structures supporting, employee participation. The ‘Systematic and involving’ type is also predominant in Estonia, the Netherlands, Lithuania, Luxembourg and Slovenia, where it comprises 40% of establishments or more; in these countries, however, the ‘Interactive and involving’ group is less prevalent. Interestingly, the Netherlands is



**Figure 58: Type of establishment, by country (%)**



Source: ECS 2013 – Management and employee representative questionnaires.

the only country among these five that is particularly known for institutionally embedded practices of direct and indirect employee participation. The ‘Systematic and involving’ group is least prevalent in Croatia, Hungary and Greece, comprising between 16% and 22% of establishments, while the ‘Interactive and involving’ group is least prevalent in Greece, Croatia and Cyprus – comprising only around 5% of establishments.

The highest proportions of establishments of the ‘Externally oriented’ group are found in Slovakia and Poland (around 38%). This group is much less prominent in Sweden, Finland and Austria where it accounts for only around 15% of establishments. Establishments belonging to the ‘Top-down and internally oriented’ group are most prevalent in Greece and Cyprus, where they account for around 37% of establishments, while they form only around 10% in Finland, Slovenia and Estonia. Finally, establishments of the ‘Passive management’ group are by far most common in Croatia (comprising 26% of establishments) and Hungary (19%) and least common in Sweden and Finland (around 2%).

## Workplace well-being and establishment performance

Establishments were placed in five distinct groups of establishments on the basis of their practices in terms of work organisation, human resource management and employee participation. It was demonstrated that the way in which establishments combine the various practices is at least partially contingent on the structure of the establishment and the environment in which it operates. This final section aims to show to what extent the five groups of establishments differ in terms of establishment performance and workplace well-being.

### Workplace well-being and establishment performance

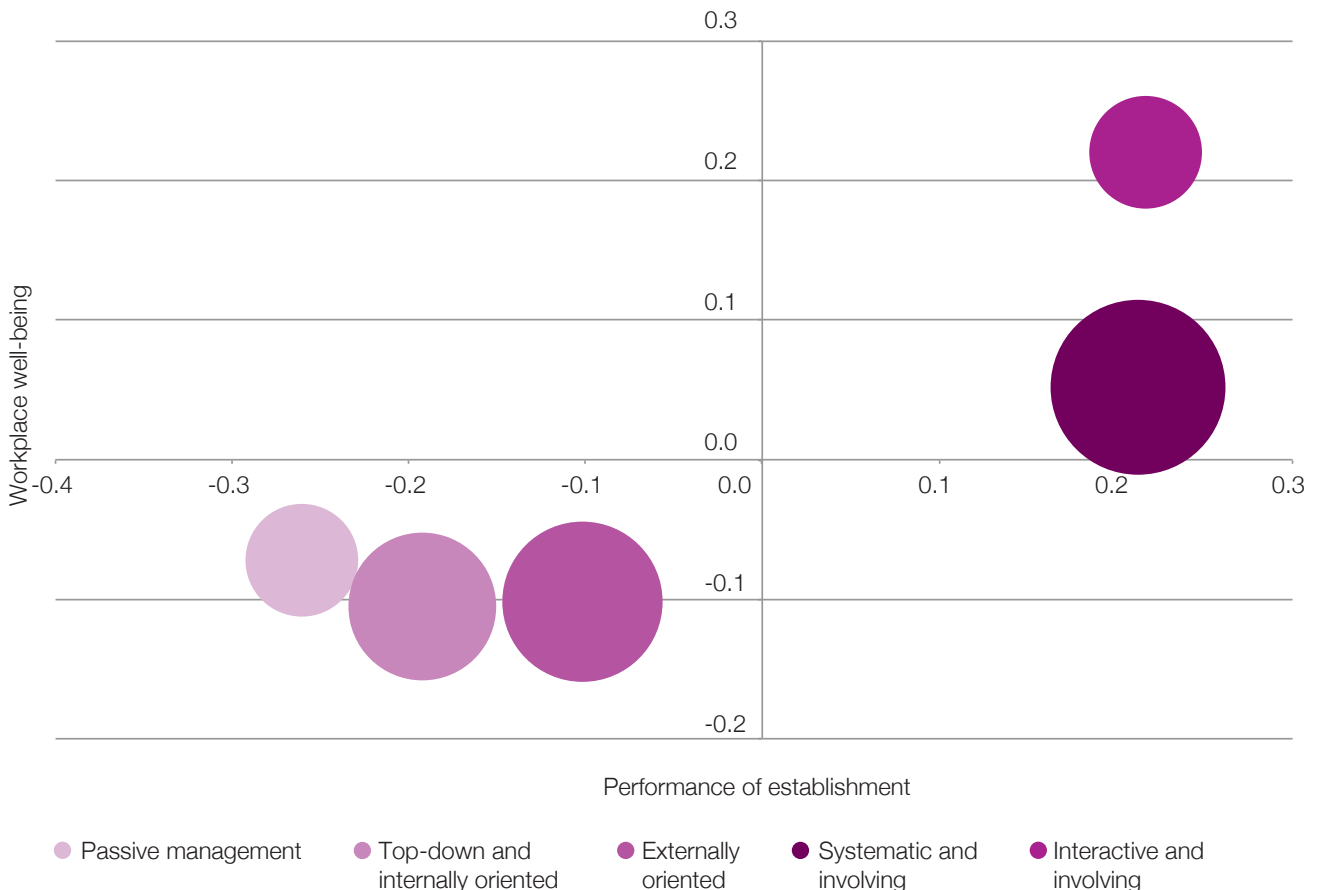
Figure 59 shows big differences between establishments in the ‘Systematic and involving’ and ‘Interactive and involving’ groups on one side, and establishments in the ‘Externally oriented’, ‘Top-down and internally oriented’ and ‘Passive management’ groups on the other. In line with the expectations

raised by the profiles of these first two groups, establishments in the 'Systematic and involving' and 'Interactive and involving' types have the best scores for establishment performance. However, while these two types of establishments have similar high scores on the performance index, the 'Interactive and involving' establishments have substantially higher scores on the workplace well-being index.

On the other hand, establishments of the other three types have lower-than-average scores both in terms of establishment performance and workplace well-being. Establishments in the 'Passive management' and 'Top-down and internally-oriented' groups have the worst scores in terms of establishment performance; the scores for establishment performance in the 'Externally oriented' group are slightly higher. Establishments in the 'Top-down and internally-oriented' and 'Externally oriented' groups have the lowest scores in terms of workplace well-being. Although the 'Passive management' group has a slightly below-average value for workplace well-being, it does not differ significantly from the 'Systematic and involving' group in this regard.

It is interesting to see that these positive outcomes in terms of establishment performance and workplace well-being are found for two types of establishments that are fundamentally different. Establishments in the 'Systematic and involving' group predominantly have a highly structured approach to internal organisation and information management, a top-down approach to decision-making regarding daily tasks and extensive human resource management practices. Establishments of the 'Interactive and involving' type, in contrast, are distributed almost equally between those with a highly structured approach and those with a moderately structured approach to internal organisation and information management; they predominantly take a joint approach to decision-making and have much more modest human resource management practices. These differences aside, what both types have in common is the favourable environment for direct employee participation they offer and the considerable extent to which they engage in it. This may indicate that at least part of the explanation for the positive associations with establishment performance and workplace well-being may lie in these direct employee involvement practices. This implication may be further supported by the relatively poor performance of establishments in the 'Passive

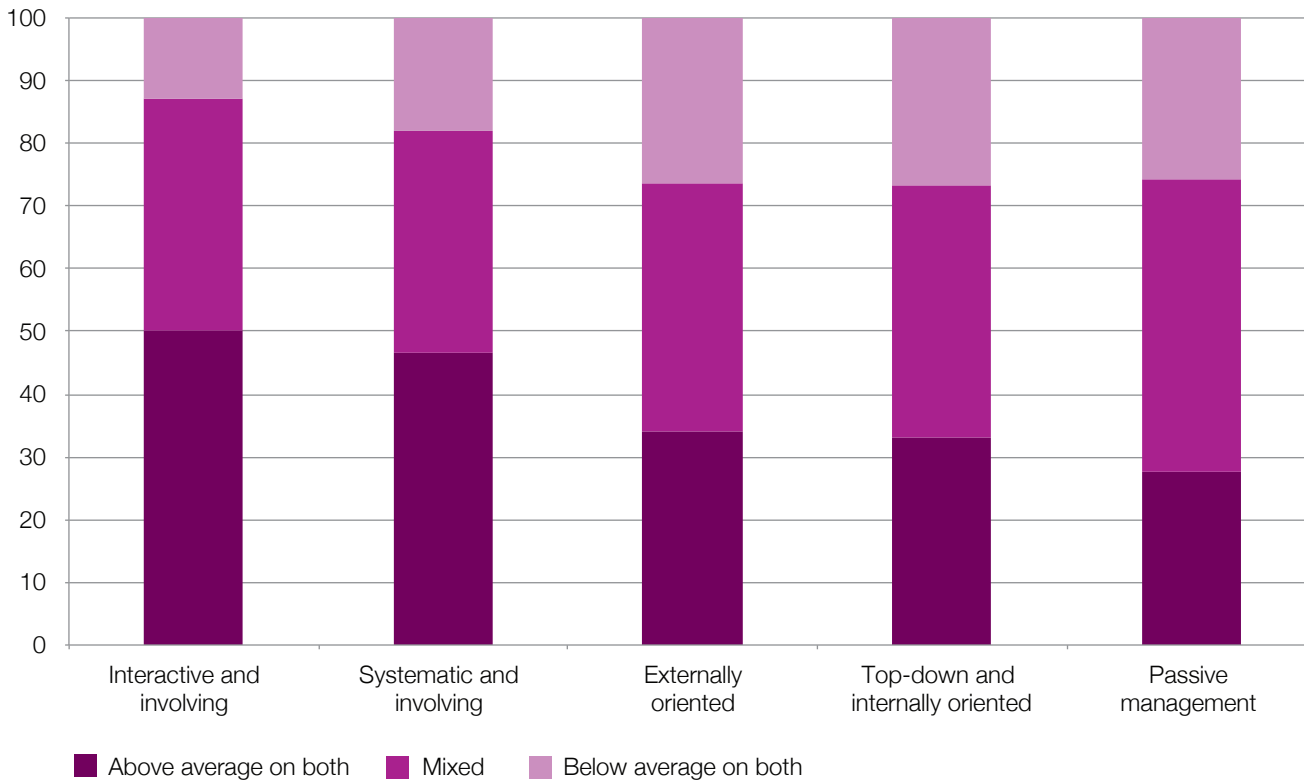
**Figure 59: Establishment performance and workplace well-being, by establishment group**



**Note:** For an explanation of how to read the graph, please refer to Figure 14.

**Source:** ECS 2013 – Management and employee representative questionnaires.

**Figure 60: Establishments scoring above or below average on both establishment performance and workplace well-being, by establishment group (%)**



Source: ECS 2013 – Management and employee representative questionnaires.

management' group, which have the least favourable practices with regard to direct employee involvement. In the end, it is also important to note the significantly better scores for workplace well-being of establishments belonging to the 'Interactive and involving' group compared with establishments in the 'Systematic and involving' group. This seems to be mainly related to differences in the approach taken to decision-making on daily tasks, which is a joint approach in many establishments in the 'Interactive and involving' group and a top-down approach in most establishments in the 'Systematic and involving' group'. Thus, while high levels of direct and indirect participation are clearly associated with substantially better performance, only when they are coupled with broader participatory structures of decision-making do they correspond with substantially higher scores for workplace well-being.

### 'Win-win' on the level of individual establishments

The results presented in Figure 60 indicate average group scores for establishment performance and workplace well-being. They do not take into account the relationship between the two outcomes at the level of individual establishments.

The question is whether establishments that score well on workplace well-being also score well on establishment performance – in other words, whether there are establishments that manage to create a 'win-win' outcome. Figure 60 shows the distributions of each of the five types in terms of establishments that score above average on both workplace well-being and establishment performance, establishments that score high on one but low on the other (mixed) and establishments scoring below average on both.<sup>33</sup> Around half the establishments in the 'Interactive and involving' and the 'Systematic and involving' groups score above average on both performance and workplace well-being indices. This is substantially higher than the other three groups, especially when compared with the 'Passive management' group in which only around 27% of establishments score above average on both these indices. Similarly, establishments in the 'Interactive and involving' and the 'Systematic and involving' groups are the least likely to score below average on both indices, with only around 13% and 18% (respectively) of such establishments doing so, compared to around 26% of establishments in the other groups. This indicates that the combinations of workplace practices that are implemented by establishments in the first two groups coincide with a substantially larger proportion of

<sup>33</sup> It should be noted that the criterion that the score on both indicators is above or below average is somewhat arbitrary, and not particularly strict.

establishments generating a win–win outcome in terms of performance and workplace well-being. On the other hand, it shows that, even in the two best-performing groups, around half the establishments do not simultaneously score above average on both dimensions.

At the same time, around one-third of companies in the three worst-performing groups still have above average scores on both indices. Thus, although there is a clear indication that the different combinations of workplace practices affect the likelihood of achieving win–win outcomes, this is by no means inevitable.

In that regard, it is important to keep in mind that the results presented here do not allow any claims about causality. The

survey results do not say whether establishments perform well because they have chosen a certain approach or whether they have chosen a certain approach because they are performing well. Furthermore, it has been clearly demonstrated that the presence of practices is associated with the structural and environmental characteristics of establishments, which are likely to also partially account for the differences in the outcomes between the five establishment groups. Nor have contingencies been looked at: some combinations of practices might work better or worse depending on the structural and environmental characteristics of establishments. More in-depth research is needed to further disentangle the associations between the bundles of establishment practices and the establishment outcomes.

## MAIN FINDINGS

# Combining workplace practices

### Groups of establishments

Five groups of establishments were distinguished. The largest group, labelled 'Systematic and involving', comprises 30% of establishments that are characterised by a top-down approach to decision-making on daily tasks, a highly structured internal organisation, high investment in human resources management (HRM), extensive practices for direct and indirect participation. The second largest group is labelled 'Externally oriented' and comprises 25% of establishments, characterised by high levels of collaboration and outsourcing, a top-down approach to decision-making on daily tasks, a moderately structured internal organisation, moderate investment in HRM, and little direct and indirect participation. A further 21% of establishments are in the 'Top-down and internally oriented' group, characterised by a top-down approach to decision-making on daily tasks, little collaboration and outsourcing, a highly structured internal organisation, moderate investment in HRM, and moderately supported direct and indirect participation. The fourth group, labelled 'Interactive and involving' comprises 12% of establishments, which are characterised by a joint approach to decision-making on daily tasks, a moderately structured internal organisation, limited investment in HRM but extensive practices for direct participation. Finally, 12% of establishments belong to the 'Passive management' group, which is characterised by a top-down approach to decision-making on daily tasks, a moderately structured internal organisation, hardly any HRM, and little direct and indirect participation.

### Distribution of groups

The 'Systematic and involving' group is much more prevalent among larger establishments than among smaller establishments. The opposite is the case for the 'Passive management', 'Externally oriented' and 'Interactive and involving' groups, which are more prevalent in smaller establishments. Establishments in the 'Systematic and involving' and 'Interactive and involving' groups are more prevalent among financial services and other services sectors; these sectors are underrepresented in the 'Externally oriented' and 'Passive management' group. Establishments in the industry sector are overrepresented in the 'Top-down and internally oriented' group, while those in the transport and construction sectors are overrepresented in the 'Externally oriented' and 'Passive management' groups.

The 'Systematic and involving' and 'Interactive and involving' groups are relatively prevalent in the Nordic countries and Austria, the less favourable 'Externally oriented', 'Top-down and internally oriented' and 'Passive management' groups are relatively prevalent in the Mediterranean countries, Bulgaria, Hungary and Croatia.

### Scores on performance and well-being

Establishments in the 'Interactive and involving' and 'Systematic and involving' groups score much better in terms of establishment performance than establishments in the other three groups, with the 'Passive management' and 'Top-down and internally-oriented' groups having worse scores on this measure. The 'Interactive and involving' group have the best scores for workplace well-being, followed by the 'Systematic and involving' group. The 'Top-down and internally oriented' and 'Externally oriented' groups have the lowest scores for workplace well-being. Around half the establishments in the first two groups have above-average scores on both outcome indicators at the same time, which is substantially higher than for establishments in the other three groups. However, win-win outcomes are not self-evident even when favourable practices are in place: around half the establishments in the 'Systematic and involving' and 'Interactive and involving' groups do not simultaneously score above average on both dimensions. At the same time, around one-third of companies in the three worst-performing groups still have above-average scores on both indices.



# CHAPTER 13

## Conclusions

The 2013 European Company Survey was carried out at a time when Europe was only just starting to recover from the biggest economic crisis to hit the world since the 1930s. For many establishments, the crisis is likely to have had a major influence on the experiences they report – whether in relation to financial performance, challenges in managing human resources, or the role of employee representatives. Even in terms of the presence of practices, the economic downturn might have had an effect. Although this survey was not specifically designed to capture such effects of the crisis, the findings do need to be interpreted with the context and circumstances of the surveyed establishments in mind.

Launched in 2010, the Europe 2020 Strategy was intended to go beyond the crisis. It aims to address the shortcomings of the European growth model and to create the conditions for smart, sustainable and inclusive growth. The findings of the ECS 2013 are of particular interest in the light of three of the Strategy's seven flagship initiatives: the innovation union, the industrial policy for the globalisation era, and the agenda for new skills and jobs. These initiatives are intended to provide a framework in which the EU and national authorities mutually reinforce their efforts. The success of all three initiatives depends to some extent on what goes on in European workplaces.

The 2013 wave of the European Company Survey provides policymakers involved in the development, review and implementation of these policy areas – as well as practitioners at the level of the company – with comprehensive information on workplace practices in terms of work organisation, human resource management, direct participation and social dialogue. The findings not only map the incidence of practices but also show how these practices relate to each other and to their outcomes for companies and workers. The starting point of this report has been that implementing certain combinations of workplace practices can have a positive effect on outcomes for both the workforce and company performance. Furthermore, it can foster companies' capacity for change: improving adaptability, enabling competitiveness, and ultimately boosting employment growth. This report aims to provide empirical support for the further development of policy and workplace practices in ways that promote these outcomes.

### Implications for policy and practice

Policymakers, managers, representatives of trade unions and employer associations and indeed the academic community have long shown an interest in how the workplace is organised and how to improve performance and well-being. The ECS 2013 shows that two types of establishments were performing best in terms of workplace well-being and establishment performance at the time of the survey: the first group, labelled 'Systematic and involving', is characterised by a top-down approach to decision-making on daily tasks, highly structured internal organisation, high levels of investment in human resource management (HRM), extensive practices for direct and indirect participation; the second, smaller group, labelled 'Interactive and involving', is characterised by a joint approach to decision-making on daily tasks, moderately structured internal organisation, limited investment in HRM but extensive practices for direct participation. The first group is more prevalent in larger establishments, the second in smaller ones. This shows that different combinations of practices are positively associated with outcomes for workers and companies, and implies that the combination of practices needs to match the circumstances and characteristics of the establishment. However, an important binding characteristic of the two groups is their extensive practices for direct employee participation, supporting the notion that 'win-win' arrangements need to include practices that facilitate the optimal use of the tacit knowledge of employees.

The findings are supported by the fact that three out of the five groups that have been distinguished show quite a close resemblance to approaches to work organisation and human resource management identified in previous research. The 'Systematic and involving' group is similar to 'high performance work systems', the 'Interactive and involving' group is similar to the 'discretionary learning' form of organisations and the 'Passive management' group resembles 'traditional or simple organisations'.

Achieving win-win outcomes is not guaranteed even when favourable practices are in place. Differences between and within countries in terms of the incidence of the establishment



types described in this report and the practices underpinning them suggest that institutions and context do matter. Nevertheless, implementing the bundles of practices that lead to better results for both companies and workers has the potential to contribute to meeting the objectives of the EU-led initiatives such as Europe 2020. Policymakers and companies may also want to look closely into characteristics of these types with a view to facilitating the framing conditions for the companies. Policy learning should be encouraged, and should include sectoral initiatives involving social partners, and awareness-raising campaigns targeted at managers and workers. EU-level policies can have significant added value, particularly in terms of helping to share information and best practice.

The EU initiative on industrial policies calls for the modernisation of industrial structures, which will in turn need modernisation of the skill base. The initiative recognises that workers may need support in successfully managing the process of change through lifelong learning, which has long been promoted as an important policy goal. Lifelong learning has been identified as: a key resource for individuals in boosting their capacity to develop over the course of their working lives; an instrument for adapting to change by combating skills obsolescence as well as adapting to new technologies; and an instrument to help companies to ensure higher added value. Companies' practices in terms of providing such training play a major role in this regard. Although the majority of establishments provide training – either on the job or off it – to at least some of their employees, it was found that 13% of establishments do not provide any training at all. Also, different approaches to training were distinguished, with the largest proportion of establishments providing training to only a select group of employees, and a much smaller group following a more encompassing approach. In this context, barriers to the provision of training by companies need to be addressed, and attention could be paid to the ways in which workers learn and develop, especially in sectors that use less formal qualifications. The role of the European Social Fund is of great importance in this regard, as is cooperation between national, regional and local governments, and the involvement of social partners.

Wage flexibility has been a key point of discussion between social partners during the crisis. Not only can it enhance companies' flexibility and responsiveness to economic fluctuations, it can also be used to attract talent, stimulate extra effort and reward good performance. However, when flexible wage components replace fixed wage components, wage security is reduced. The ECS 2013 shows that almost half of all establishments have only very limited variable pay schemes in place – if any; another sizeable group offers a moderate range of mainly performance-related variable pay schemes; and only one establishment in ten offers a broad range of schemes covering both performance-related and financial

participation schemes. Interestingly, a greater presence and breadth of variable pay schemes coincides with higher scores for both establishment performance and workplace well-being.

Looking specifically at practices for direct employee participation, it was found that the majority of establishments combine a large number of instruments for direct participation with a high level of employee involvement and positive attitudes on the part of management towards employee participation. In a fairly small group of establishments, there are some instruments for participation in place and employees have a moderate level of direct involvement; however, the attitude of management is predominantly negative. Finally, in some establishments managers rarely report changes that might require the involvement of employees; nor do these establishments make much effort to facilitate direct participation on those occasions that these changes do occur. In line with theories on high-involvement workplaces, it is found that scores for both performance and well-being are highest in the first group.

Social dialogue is high on the political agenda of the European Commission, and is a key element of the European Social Model. The results of the ECS 2013 show that a fairly large proportion of establishments have well-functioning social dialogue, but there is also a sizeable group in which a lack of resourcing and a lack of trust go hand-in-hand with a high likelihood of industrial action. In another group of establishments, high levels of trust and appropriate information provision are accompanied by limited resourcing, but also by a low incidence of industrial action. Conversely, in a final group of establishments, relatively good resourcing and a high level of involvement in decision-making are paired with low levels of trust and high levels of industrial action. This variability in the extent to which social dialogue functions well is reason for concern; policymakers, however, might be more concerned about the uneven geographical spread of social dialogue structures in European companies. Both with regard to the incidence of social dialogue structures and their functioning, it needs to be kept in mind that social dialogue does not take place in a vacuum. The ECS focuses on the establishment level, but takes only limited account of the national contexts and institutions that are likely to significantly affect the functioning of institutions at company level.

Eurofound hopes that this report will contribute to the thinking about workplace practices in a new era marked by global challenges for European companies. It is hoped that the findings will be considered relevant by HR managers in developing their strategies, by those conducting research into businesses and organisation, by managers and employee representatives in their daily work, and by the policymakers to whom Eurofound research is traditionally addressed.



## Next steps

The survey findings will be used in EU policymaking. The European Commission plans to use data from the ECS in its Industrial Relations in Europe report. Produced every two years since 2000, the flagship report provides a unique overview of major trends and developments in the collective relationships between workers, employers and their respective representatives in the EU. Such relationships evolve in national settings, reflecting different historical and institutional circumstances. Data from the third ECS will be used in the 2014 report to report on the incidence of workplace representation across EU Member States. Moreover, the Directorate General for Internal Market and Services (DG MARKT) has drawn on ECS data on financial participation in the drafting of its recent publication on promoting employee ownership and participation (European Commission, 2014b).

Eurofound aims to expand and complement the present (essentially empirical) analysis of the survey data through a number of projects.

- Follow-up case studies with a range of survey respondents are being carried out at the time of writing, the objective being to investigate in greater depth the processes and dynamics behind practices and outcomes.
- Two detailed analyses have been launched, based on sophisticated statistical techniques: one addressing the impact of work organisation on performance, innovation and work climate; and one looking at employee participation in European companies.

These projects will look in greater detail, and on the basis of a more elaborate theoretical perspective, at the links between establishment practices and their structural characteristics, and will also take fuller account of the institutional context in which establishments operate.

Eurofound will also report the findings for public-service activities and for the non-EU countries covered in the survey (Iceland, the former Yugoslav Republic of Macedonia, Montenegro and Turkey); neither of these is covered in the present report.

Finally, the dataset will be made available to policymakers, as well as to the research community for further analysis.



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# ECS 2013: Survey methodology







# Annex

## ECS 2013: Survey methodology

### Survey design and implementation

The European Company Survey is a telephone survey of establishments in Europe, capturing the perspective of a manager in charge of human resources as well as that of an employee representative (if available). It was previously carried out in 2004 (titled the 'European Establishment Survey on Working Time and Work-Life Balance', ESWT) and in 2009 (ECS 2009). The third European Company Survey carried out in 2013 (ECS 2013) aimed to provide a picture of workplace practices in terms of work organisation, workplace innovation, employee participation and social dialogue. For this purpose, interviews were carried out with both a management representative and, if available, an employee representative responsible for the establishment. The formal employee representative structures selected were in line with the national tradition of industrial relations institutions.

### Target population

The unit of enquiry for the survey, as in previous waves of the survey, is the establishment. The target population was all establishments with 10 or more employees in all economic sectors except those in NACE Rev. 2 categories A (agriculture, forestry and fishing), T (activities of the household) and U (activities of extraterritorial organisation and bodies), in all 28 EU Member States, Iceland, the former Yugoslavian republic of Macedonia, Montenegro and Turkey. Within the establishment, the survey targeted the most senior manager in charge of personnel and, where available, an official employee representative.

### Questionnaire development

A high-quality questionnaire is a key element of a successful survey. Eurofound invested considerably in developing the two questionnaires for the ECS 2013: one for the management representative and one for the employee representative.

Background papers on high-performance and high-involvement workplaces, and on employee participation and workplace social dialogue formed the basis for developing the questionnaires. A questionnaire development group was set up, composed of members of Eurofound's Governing Board, academic experts, experts from international organisations dealing with company practices and social dialogue issues, and representatives from national statistical institutes and research organisations dealing with national business surveys. The broad-based nature of the group safeguarded the methodological rigour of the questionnaires and ensured that they were embedded in the academic and political debates.

### Advance translation and pretest

To ensure that the source questionnaire could be translated into all relevant languages, advance translation of the English source questionnaire into German and French took place. This provided input for finalising the source questionnaire as well as for drafting the translation instructions. Moreover, the German and French versions of the questionnaire were used in a pre-test. The objective of the pre-test was to ensure that the survey questions were understood by respondents as intended and to verify that the terminology used in the source questionnaires was suitable for a cross-national survey. Interviews were conducted with both management and employee representative respondents in Ireland, France and Germany: initially cognitive interviews using a selection of questions and then structured interviews using the entire questionnaire. Based on the results of the pre-test, the final version of the survey questionnaire was drafted.

### Translation

High levels of quality and comparability of all language versions are essential for any cross-national survey. In the widest sense, questionnaire translation aims to ensure that measurements are equivalent in different linguistic, cultural and institutional settings.

**Table 11: Language versions used in the different countries**

Country	Languages
Austria	German
Belgium	Dutch, French
Bulgaria	Bulgarian
Croatia	Croatian
Cyprus	Greek
Czech Republic	Czech
Denmark	Danish
Estonia	Estonian, Russian
Finland	Finnish, Swedish
France	French
Germany	German
Greece	Greek
Hungary	Hungarian
Ireland	English
Italy	Italian
Latvia	Latvian, Russian
Lithuania	Lithuanian, Russian
Luxembourg	French, German, Luxembourgish
Malta	Maltese, English
Netherlands	Dutch
Poland	Polish
Portugal	Portuguese
Romania	Romanian
Slovenia	Slovenian
Slovakia	Slovak, Hungarian
Spain	Spanish (Castilian), Catalan
Sweden	Swedish
UK	English

The extensive translation procedure applied by Eurofound and its contractor reflects the importance of high-quality translations. For the ECS 2013, translation of the source questionnaire involved several steps.

1. Prior to the pre-test, the English draft questionnaire was translated into French and German with the aim of detecting difficulties when translating from English into other languages.
2. Subsequently, two independent translators with different skill sets translated the questionnaire into each target language.
3. After this, a team-based interactive review meeting took place, between the two translators and an adjudicator.
4. For languages that were used in multiple countries, multiple translations were created and cross-verified to produce final translations local to each country.
5. Existing translations of the questions that had been used in previous rounds of the ECS were reviewed: the aim was to keep the existing translation, unless issues were detected.
6. Finally, the translated versions were copy-edited, allowing for any small mistakes that had crept in to be corrected.

A centralised, web-based translation system was used to closely document each of the steps.

To cover the 28 EU Member States, the ECS 2013 questionnaire was translated into 31 languages, including the key minority languages of the surveyed countries (see Table 11).

## Sampling and weighting

The target sample size for the management interviews ranged from 300 in the smallest countries to 1,650 in the largest

countries (Table 12). In order to ensure that establishments were randomly selected and representative of establishments and countries, a sophisticated sampling and related contacting procedure was applied, which had to take into account country differences in the availability of business registers used as sampling frames. In countries where no establishment-level register was available, a company-level register was used, requiring interviewers to carry out a 'pre-screening' to identify establishments (see Table 12).

The sampling strategy for the market activities is a multi-stage random sampling approach stratified by establishment or company size (10–49 employees, 50–249 employees, 250 + employees) and the broad sector of activity (production, private services, public services), aimed at getting a balance between representativeness at the level of the number of establishments and representativeness at the level of the number of employees working in these establishments. In countries with a company-level sampling frame, a screening procedure was subsequently used to randomly select an establishment within the company. Weighting ensures that the findings in this report are representative of the number of establishments in terms of the distribution across sectors, size classes and countries.

It was found that in most countries organisations in the public services (NACE categories O, P and Q) were not sufficiently covered by any register. It was therefore decided to use a different sampling approach for public service organisations in all countries: a fixed selection approach.<sup>34</sup> In all countries, 10% of the original sample was allocated to the public services.<sup>35</sup>

<sup>34</sup> The problem mainly affected public sector organisations but because insufficient a priori information is available about whether or not organisations are privately or publicly owned, it was decided to break the sample up into two segments – a market activities segment and a public services segment – based on the main activity of the organisation as classified in NACE Rev 2.

<sup>35</sup> The original target sample size in most countries was smaller than the ultimate sample size. Because additional funding became available during fieldwork preparation, it was decided to increase the sample size of large and medium-sized establishments in those countries where this was viable, the aim being to increase the number of employee representative interviews. For more information on the allocation of this top-up, see the technical report (Eurofound, 2013e).

**Table 12: Target and completed sample size**

Country	Sampling frame	Target sample size		Management interviews		Employee representative interviews	
		Total	Public services	Total	Public services	Total	Public services
<b>Austria</b>	Establishment	1,100	100	1,100	128	385	75
<b>Belgium</b>	Establishment	1,100	100	1,107	136	412	72
<b>Bulgaria</b>	Company	550	50	557	53	118	24
<b>Croatia</b>	Company	500	50	503	195	180	75
<b>Cyprus</b>	Company	500	50	500	49	159	19
<b>Czech Republic</b>	Company	1,100	100	1,111	124	207	34
<b>Denmark</b>	Establishment	1,100	200	1,100	119	580	98
<b>Estonia</b>	Company	550	50	550	53	146	22
<b>Finland</b>	Establishment	1,100	100	1,100	108	643	79
<b>France</b>	Establishment	1,650	150	1,657	177	475	62
<b>Germany</b>	Establishment	1,650	150	1,673	203	345	91
<b>Greece</b>	Company	1,100	100	1,101	63	144	21
<b>Hungary</b>	Company	1,100	100	1,135	119	304	52
<b>Ireland</b>	Establishment	550	50	551	53	105	34
<b>Italy</b>	Company	1,650	150	1,652	124	343	50
<b>Latvia</b>	Company	550	50	558	53	91	34
<b>Lithuania</b>	Company	550	50	550	56	168	25
<b>Luxembourg</b>	Establishment	550	50	563	58	224	30
<b>Malta</b>	Company	300	30	306	26	46	5
<b>Netherlands</b>	Establishment	1,100	100	1,108	98	453	66
<b>Poland</b>	Establishment	1,650	150	1,655	219	618	103
<b>Portugal</b>	Company	1,100	100	1,103	101	133	29
<b>Romania</b>	Company	550	50	551	48	260	37
<b>Slovenia</b>	Company	550	50	550	52	255	40
<b>Slovakia</b>	Establishment	550	50	550	54	191	36
<b>Spain</b>	Establishment	1,650	150	1,651	100	506	23
<b>Sweden</b>	Establishment	1,100	100	1,105	108	583	63
<b>UK</b>	Establishment	1,650	150	1,653	152	218	74
<b>Total EU28</b>		26,650	2,580	26,797	2,829	8,112	1,373

This sample segment was divided equally between the health, education and public administration sectors in each country. Due to the fact that reliable statistics describing the universe of public services establishments are not available, the weights for the public services were constructed in such a way that all countries have an equal weight when aggregate statistics are estimated. The number of public services organisations in the sample varied between 26 in Malta and 219 in Poland.<sup>36</sup>

## Fieldwork phase

The ECS 2013 comprised a telephone survey of establishments. Drawing on a network of national centres, Gallup Europe conducted the fieldwork between February and June 2013. The management interviews took 27 minutes on average and the employee representative interviews 18 minutes.

### Contact strategy and respondent selection

Figure 61 illustrates the contacting strategy that was applied in each of sample segments. Depending on the size of the organisation mentioned on the register, a slightly different approach was used to maximise the likelihood of getting through to the target respondent. For the management interviews, this was the most senior manager in charge of personnel. In larger companies, this was often a HR manager; in smaller companies, more often the general manager. In larger, more complex companies and establishments, experienced interviewers were deployed to carry out a pre-screening telephone call. In large companies in countries with a company-level register, this call covered the random selection of an establishment within the

company as well as identifying the most suitable respondent in medium-sized companies and in large establishments; in countries with an establishment-level register, it only identified the suitable respondent. Depending on the size of the company, advance letters and emails were sent before or after the identification of the target respondent.

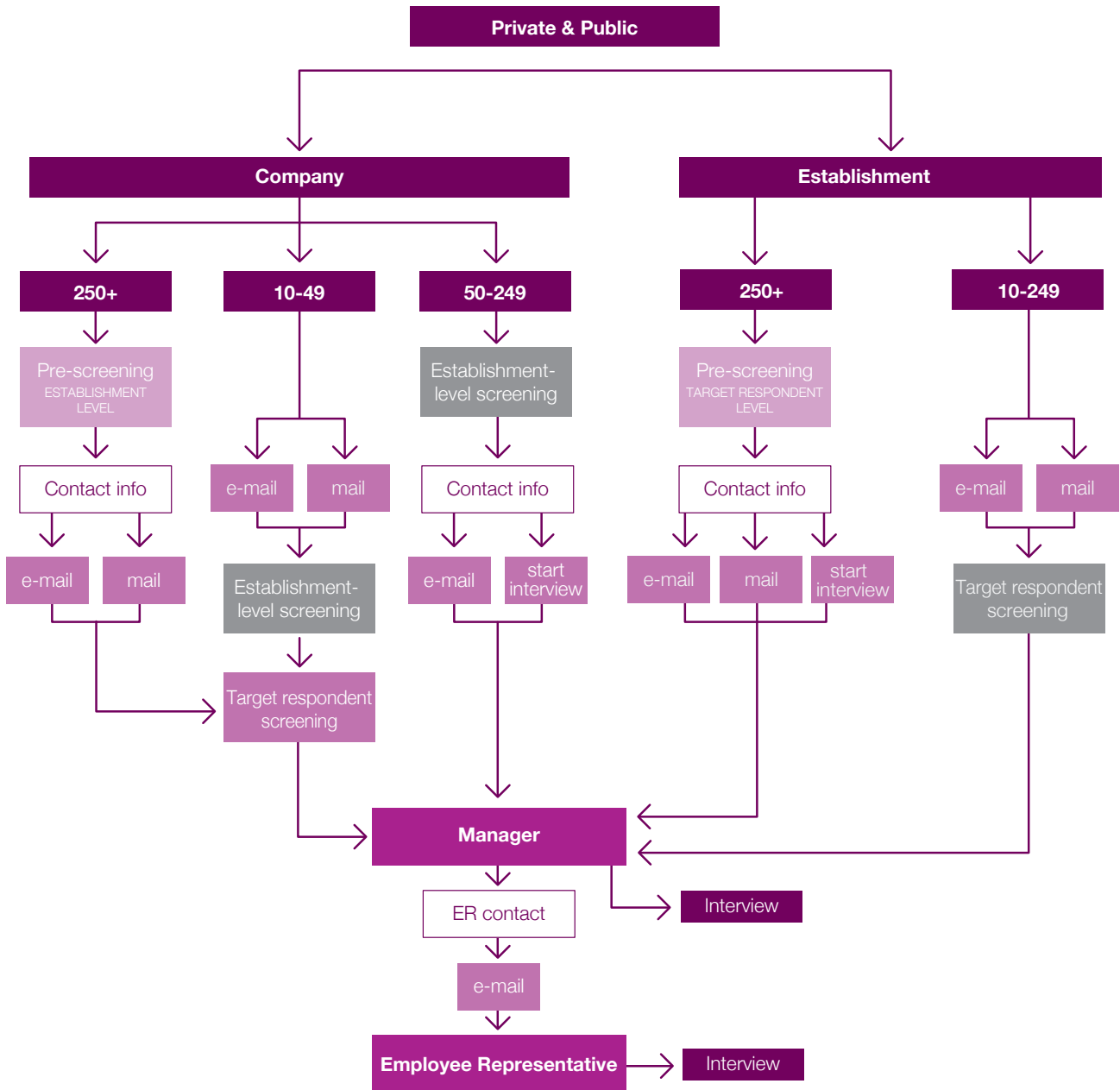
The employee representative respondent was selected through a set of questions in the management interview. One section of the questionnaire was dedicated to mapping the presence of employee representation structures at the establishment (or if no such structure were present at the establishment at the company level). In order to determine which types of organisation could be asked about in each of the countries, experts from Eurofound's network of national correspondents in its European Observatory of Working Life (EurWORK) were asked to list the types of organisation that could be present at the establishment level, their prevalence and legal status, and their role in decision-making in the establishment. Based on this expert input, questions and a selection protocol were developed for each country. These concerned the extent to which the different structures covered all employees in the establishments and the involvement of the employees in discussions on work organisation issues.<sup>37</sup>

The management respondents were subsequently asked to provide contact details for the most senior representative of the employee representation structure selected according to this protocol. The types of organisations included in the questionnaire, and the selection preference order of the organisations for securing an interview, are listed in Table 13. In those cases where the employee representation body consisted of multiple members, the most senior representative was targeted.

<sup>36</sup> Due to slight discrepancies between the activity of the organisation as indicated on the register and the reported activity of organisation, some organisations that were sampled as part of the 'market activities' segment were allocated to the 'public services segment' and vice versa. This explains why the actual number of interviews conducted in public services organisations exceeds the target sample by a much greater proportion than the total actual number of interviews completed.

<sup>37</sup> In Lithuania, in the ECS 2013 – unlike in the ECS 2009 – a question about the presence of worker representatives ('darbuotojų atstovas') was included in the questionnaire. These are individual employee representatives who take on the function of a works council in companies with 20 employees or fewer. Given the large proportion of small establishments in the sample and the apparent high prevalence of this type of employee representation, the Lithuanian figure is much higher than was found in the previous wave. In the Netherlands, in the ECS 2013 – again unlike the ECS 2009 – there was no question regarding the workplace trade union delegation ('bedrijfsledengroep') in the questionnaire because it was considered that this form of employee representation does not have a role in work organisation issues. The figures for the Netherlands might, therefore, be slightly lower than in the previous wave.

**Figure 61: Contact strategies for each of the sample segments**



Source: Eurofound, 2013e.

Table 13: Employee representation structures included in the survey

	(1) Trade union representation/ shop steward	(2) Works Council	(3) Joint platform	(4) Non-union employee representation	(5) Other (general)	(6) Other (sector specific)	(7) Other (sector specific)	Order for interview (market activities)	Order for interview (public services)
NL	Vakbonds-atvaardiging	Ondernemingsraad			Comité voor preventie en bescherming op het werk	Bijzonder onderhandelingscomité of Basisonderhandelingscomité	Bijzonder overlegcomité of basisoverlegcomité of lokaal onderhandelingscomité	2, 5, 1	6, 7, 1
BE									
FR	Délégation syndicale	Conseil d'entreprises			Comité pour la prevention et de la protection au travail	Comité de négociation particulier de base	Comité particulier de concertation ou comité de concertation de base	2, 5, 1	6, 7, 1
BG	Синдикална организация			Представители на работниците и служителите	Представители за информирани и консултиране на работниците и			1, 5, 4	1, 5, 4
CZ	Odborová organizace	Rada zaměstnanců						1, 2	1, 2
DK	Tillidsrepræsentant	Samarbejdsudvalg			Medindflydelses- og medbestemmelserudvalg eller Kombinerende samarbejds- og arbejds miljøudvalg			2, 1, 5	2, 1, 5
DE		Betriebsrat				Personalrat	Mitarbeitervertretung	2, 7	6, 7
EE	Ametühtingusidusisk			Töötajate usaldusisk				1, 4	1, 4
RU	Доверенное лицо профсоюза			Доверенное лицо работников				1, 4	1, 4

	(1) Trade union representation/ shop steward	(2) Works Council	(3) Joint platform	(4) Non-union employee representation	(5) Other (general)	(6) Other (sector specific)	(7) Other (sector specific)	Order for interview (market activities)	Order for interview (public services)
IE	Workplace trade union representative	Statutory employee representation forum	Joint consultative committee	Non-union staff association, company council or 'expected body'				1, 2, 3, 4	1, 2, 3, 4
EL	Επιχειρησιακό σωματείο	Συμβούλιο Εργαζομένων		Ένωση προσώπων				1, 2, 4	1, 2, 4
ES	Sección sindical	Comité de empresa		Delegado de personal		Junta de personal		1, 2, 4	6, 4
ES	Sección sindical	Comité d empresa		Delegat de personal		Junta de personal		1, 2, 4	6, 4
FR	Délégué syndical	Comité d'entreprise/comité d'établissement		Délégué du personnel		Comité technique		1, 2, 4	1, 2, 4, 6
HR	Radnički sindikat	Radničko vijeće						1, 2	1, 2
IT	Rappresentanza sindacale aziendale	Rappresentanza sindacale unitaria				Rappresentanza unitaria del personale		2, 1	6,1
LV	Arodbiedrības institūcija (arodorganizācija)			Darbinieku pilnvarots pārstāvis	Eiropas Darbinieku padome			1, 4, 5	1, 4, 5
RU	Профсоюз			Уполномоченный представитель рабочих	Европейский совет трудящихся			1, 4, 5	1, 4, 5
LT	Profesinė sąjunga	Darbo taryba		Darbuotojų atstovas				1, 2, 5	1, 2, 5
RU	Профсоюз	Рабочий совет		Представитель работников				1, 2, 5	1, 2, 5
LU		Comité mixte		Personaldelegation		Personalvertreitung		2, 5	6
FR		Comité mixte		Délégation du personnel		Representation du personnel		2, 5	6
DE		Gemischter Betriebsrat		Personaldelegation		Personalvertretung		2, 5	6



	(1) Trade union representation/ shop steward	(2) Works Council	(3) Joint platform	(4) Non-union employee representation	(5) Other (general)	(6) Other (sector specific)	(7) Other (sector specific)	Order for interview (market activities)	Order for interview (public services)
HU	Szakszervezet	Üzemi Tanács			Üzemi megbízott	Közalkalmazotti Érdekegyeztető Tanács		2, 1, 5	6, 1, 5
MT	Shop steward							1	1
NL		Ondernemingsraad			Personeelsvertegenwoordiging			2, 5	2, 5
AT		Betriebsrat				Personalvertretung		2	6
PL	Zakładowa organizacja związkowa	Rada pracowników				Rada pracownicza	Przedstawiciele pracowników w radzie nadzorczej	1, 2	1, 2, 6, 7
PT	Comissão Sindical ou Comissão Intersindical	Comissão de Trabalhadores			Delegado sindical			1, 5, 2	1, 5, 2
RO	Sindicat				Reprezentanții salariaților			5, 1	5, 1
SI	Sindikát / Sindikalni zaupnik	Svet delancev		Delavski zaupnik				2, 4, 1	2, 4, 1
SK	Odborová organizácia	Zamestnanecká rada		Zamestnanecký dôverník				1, 2, 4	1, 2, 4
HU	Szakszervezet	Munkavállalók tanácsa		Munkavállalók bizalmasa				1, 2, 4	1, 2, 4
FI	Ammattiosasto	YT-toimikunta			Henkilöstön edustaja			2, 1, 5	2, 1, 5
SE	Facket	Samarbetskommitté			Personalrepresentant			2, 1, 5	2, 1, 5
SE	Facklig förtröendeman							1	1
UK	Recognised shop floor trade union representation		Joint Consultative Committee					1, 3	1, 3

## Response rates

Company surveys often suffer from a low level of response, especially when respondents answer on a voluntary basis. To ensure a high participation rate in the survey, letters and emails announced the upcoming survey in advance of the fieldwork. No limit was set on the maximum number of contact attempts, but all establishments had to be called at least 10 times before they could be abandoned. A strict regime was put in place to ensure that interviewers made the maximum effort to achieve as high a response rate as possible. The response rates achieved in each country for both the management interview and the employee representative interviews are shown in Figure 62.<sup>38</sup>

The overall response rate of the ECS 2013 for the management interviews was 38%, ranging between 18% in Austria and 62% in Slovenia. The response rate for the employee representative interview was much better: 60% overall, ranging between 39% in Ireland and 83% in Croatia. As Figure 62 shows, there is no clear relationship between the response rates of managers and employee representatives.

## Quality assurance

The quality assurance framework for the ECS 2013 specified quality control activities associated with the various phases of survey preparation and implementation, ensuring that the survey would meet the quality criteria of relevance, accuracy, coherence, comparability, timeliness and punctuality, and accessibility, as identified in the European Statistical System. The preparation and implementation of the ECS 2013 was

**Figure 62: Response rates, by country (%)**



<sup>38</sup> Because this is a business survey and not a household survey, an approximation was used of AAPORs RR3 (see <http://www.aapor.org/>):  $RR = I / [I + R + NC + e(nsR + nsNC + nsO + nsUE)]$ , where I is the number of interviews, R is the number of refusals, NC is the number of noncontacts, O is the number of establishments where no interview took place due to other reasons, UE is the number of cases where it could not be established if the phone number referred to an establishment, and e is the estimated proportion of cases of unknown eligibility that are eligible. The RR calculation for the employee representative interviews is much simpler:  $RR = I / [I + R + NC]$  (all employee representatives identified in the management interview are considered eligible). In this case, the category 'refusals' encompasses refusals by the manager to allow an interview to take place as well as refusals by the employee representative to take part.

closely monitored and documented. Quality control measures covered sampling, translation, pre-testing and piloting, interviewer selection and training, fieldwork implementation, data processing and storage (Eurofound 2013f).

An external quality assessment of the ECS 2013 was carried out, which concluded that the survey is a reliable and flexible source of information on work organisation, workplace innovation, employee participation and social dialogue (Eurofound, 2013g).

The assessment was positive about the relevance, timeliness and general quality of the ECS but pointed out potential future improvements – in terms of the sampling frames used, the response rates of managers and employee representatives and further improvements in the coherence between the concepts and definitions used in the ECS and those used in other sources of establishment data.

## Coding

The ECS 2013 included open questions to record the establishment's economic activity. The answers were coded according to the statistical classification of economic activities in the European Community (NACE) Revisions 1.1 and 2.0 at the 4-digit level. Coding was carried out using specifically designed coding software and consisted of a test phase and a coding phase. During the test phase, the answers were coded in parallel by two coders in each country and translated versions of the answers were coded by central coders. This was followed by a comparison and evaluation of the codes assigned by the two local coders and by the central coder. The test phase provided coders with some initial experience, enabling them to better communicate any difficulties they might encounter during the coding process. More importantly, it functioned as a way to standardise the principles of coding – between coders within countries, between countries, and between the country-level coders and the central-level coders. After fixing any issues that arose in the test, the remaining answers were coded by those local coders who performed best in the test phase (Eurofound, 2013h).

## Composite indicators

In order to ensure the validity of composite indices – that is, that they measure what they are supposed to measure – a broad spectrum of validity dimensions was analysed. Variables that comprise indices were selected in such a way that they comprehensively covered the majority of the domain of concepts in question, thus assuring its content validity. They were also selected on the basis of their relevance to the theoretical

definition of the concept and previous research (conceptual validity). Factor analyses and reliability analyses were carried out to ensure a coherent, unidimensional structure, implying that the variables included measure the same underlying latent concept (internal validity).<sup>39</sup>

## Workplace well-being

A continuous variable for workplace well-being was created.

1. First, the frequency was counted at which the manager answered 'Yes' to the following questions: 'Does the management encounter any of the following problems at this establishment currently? High level of sickness leave (KOSICK). Difficulties in retaining employees (KORETEN). Low motivation of employees (KOLMOT). (Yes, No)'.
  2. This newly created variable was then standardised to range between zero and 1; the same was done for the variables capturing the answers to the questions 'How would you rate the current general work climate in this establishment? Is it very good, good, neither good nor bad, bad, or very bad?' (KCLIMATE) and 'Since the beginning of 2010, the general work climate in this establishment... (Improved, Worsened, Remained about the same)?' (KCLIMACH)'
  3. Finally, the average of these three variables was taken and the resulting scores were transformed so that they ranged between zero and 100, with 100 indicating extremely good workplace well-being, and zero indicating extremely poor well-being.

## Establishment performance

A continuous variable for establishment performance was also created. It is based on four questions:

- 'Since the beginning of 2010, has the amount of goods and services produced by this establishment ... (Increased, Decreased, Remained about the same (KGOSEPR)<sup>40</sup>;
- 'How would you rate the financial situation of this establishment? Is it very good, good, neither good nor bad, bad, or very bad? (KFINAN)';
- 'Since the beginning of 2010, has the financial situation of this establishment... (Improved, Worsened, Remained about the same) (KFINANCH)';
- 'Since the beginning of 2010, has the labour productivity of this establishment... (Improved, Worsened, Remained about the same) (KLABPRCH)'.
  2. These variables were standardised, after which the average was calculated and again transformed to range between zero (indicating extremely poor establishment performance) and 100 (extremely good establishment performance).

<sup>39</sup> Syntax files of the construction of the indices and the underlying analyses are available on request.

<sup>40</sup> A small group of establishments was classified as providing public services based on the sampling frame, but was classified as carrying out market activities based on the answers of the manager to the question 'What is the main activity of the establishment? (DMAINACT)'. Because of their initial classification they were asked 'Since the beginning of 2010, has the amount of services provided by this organisation... (Increased, Decreased, Remained about the same (KSERPROV))'. These answers have been added to an updated version of KGOSEPR.

## Level of effort to enable direct employee participation

A continuous variable was created for this, ranging between zero (no effort) and 7 (a high level of effort). The variable was constructed by counting how often the manager answered 'Yes' to the following question: 'In this establishment, which of the following practices are used to involve employees in how work is organised?'

- Regular meetings between employees and immediate manager (JREGMEE).
- Regular staff meetings open to all employees at the establishment (JSTAFFME).
- Meetings of a temporary group or committee or ad-hoc group (JADHOC).
- Dissemination of information through newsletters, website, notice boards, email etc. (JDISSINF).
- Discussions with employees through social media or in online discussion boards (JSOMEDI).
- Suggestion schemes (the collection of ideas and suggestions from the employees, voluntary and at any time, traditionally by means of a 'suggestion box') (JSUGGS).
- Employee surveys among employees (JSURVEY).

## Level of involvement

A five-category variable was constructed to capture the level of direct involvement of employees according to the manager using the answers to the following questions: 'Could you please let me know for this major change whether or not employees have been directly ...

1. Informed by management? (JEMPINF);
2. Asked to give their views ahead of the decision (JEMPCONS);
3. Involved in joint decision-making with the management? (JEMPEC) (Yes, No)'.

Establishments in which no major change was reported (see Box 3 on p.85) were assigned to the category 'Not applicable (no major change happened)'.

If the manager answered 'No' to all three questions, the establishment was assigned to the category 'Not involved'.

Establishments where the manager answered 'Yes' to JEMPEC were assigned to 'Joint decision-making', regardless of the answers to JEMPINF and JEMPCONS.

Establishments where the manager answered 'yes' to JEMPCONS and 'no' to JEMPEC were assigned to 'Consulted', regardless of the answers to JEMPINF.

Establishments where the manager answered 'yes' to JEMPINF and 'no' to both JEMPCONS and JEMPEC were assigned to 'Informed only'.

The same principle was applied to construct variables on:

- the level of direct involvement of employees according to the employee representative (using 'With regard to the decision on [sole or most important topic], were employees directly ... Informed by management (Q34\_A); Asked to give their views ahead of the decision (Q34\_B); Involved in joint decision-making with management (Q34\_c) (Yes, No)');
- the level of involvement of an ad-hoc group set up to discuss the decisions with regard to the most important topic, as reported by the employee representative (using 'With regard to the decision on [sole or most important topic], was the ad-hoc group ... Informed by management (Q33\_A); Asked to give their views ahead of the decision (Q33\_B); Involved in joint decision-making with management (Q33\_c) (Yes, No)');
- the level of involvement of the employee representation according to the manager (using the question 'Could you please let me know for this major change whether or not the official employee representation has been ... Informed by management? (JERINF); Asked to give their views ahead of the decision (JERCONS); Involved in joint decision-making with the management? (JERPEC)? (Yes, No)');
- the level of involvement of the employee representation according to the employee representative (using 'With regard to the decision on [sole or most important topic], was the [ER-body] ... Informed by management (Q28\_A); Asked to give their views ahead of the decision (Q28\_B); Involved in joint decision-making with management (Q28\_c) (Yes, No)').

## Management attitude towards direct employee participation

This is a dichotomous item indicating whether management is unambiguously positive about direct employee participation or not, based on the following two questions: 'I am going to read out several statements on possible results from the DIRECT involvement of employees in work organisation changes in general. Would you agree or disagree?'

- Employees stay longer in the company when they feel they can get involved (JEIRETEN).
- Involving employees gives a competitive advantage (JEICOMP). (Strongly agree, agree, disagree, strongly disagree).'

Those that (strongly) agreed with both items were classified as positive; those that (strongly) disagreed with one or both items were classified as not positive.

## Resource index

This is a continuous variable ranging between zero (minimal resources for the employee representation) and 100 (maximal resources for the employee representation). First, a variable was constructed indicating whether or not the employee representative has sufficient time for his or her duties by combining the answers to the questions:

- Q11. Is there a designated number of hours per week of your working time that you are entitled to spend on your duties as an employee representative? (Yes; No, I am not entitled to use my working time; No, but I can use as much of my working time as is necessary; A full-time employee representative);
- Q13. Is the designated time usually sufficient for fulfilling your duties as an employee representative? (Yes, No).

The answers were combined so that those who answered 'Yes' to both Q11 and Q13, or who answered 'No, but I can use as much of my working time as is necessary' or 'A full-time employee representative' were coded as 'Yes' and the others as 'No'.

Subsequently, it was counted how often employee representatives answered 'Yes' to this newly constructed variable and to 'Q14. In the last 12 months have you received training related to your role as employee representative? (Yes, No); and 'Q15. Does the [ER-body] have access to funding for external advice? (Yes, No)'.

Finally, the scores were transformed to range between 0 and 100.

## Information index

This is a continuous variable ranging between zero (minimal information for the employee representation) and 100 (maximal information for the employee representation). The variable was constructed by counting how many times the employee representative answered 'Yes' to the following 'Yes/No' questions:

- Q21. In the last 12 months, has management provided the [ER-body] with any information on the following issues: The financial situation of the establishment (Q21\_A); The employment situation of the establishment (Q21\_B); The introduction of new or significantly changed products or services in the establishment (Q21\_C); The introduction of new or significantly changed processes to produce goods or provide services in the establishment (Q21\_D); Strategic plans with regard to the establishment (e.g. business targets, plans for investments, plans to expand activities, etcetera) (Q21\_E).

- Q22. You mentioned that management provided information on the financial situation of the establishment. Did this include expectations for the future?;
- Q23. You mentioned that management provided information on the employment situation of the establishment. Did this include expectations for the future?;
- Q24. Thinking about all the information management has provided you with in the last 12 months, did you usually receive it in good time?;
- Q25. And, in general, was the quality of the information satisfactory?.

The scores were subsequently transformed to range between zero and 100.

## Employee representation's level of influence

A continuous variable was constructed, ranging between zero (minimal influence) and 100 (maximal influence). The variable was constructed by taking the average score of the answers to two questions:

- Q38. Still thinking about the decision in the area of [sole or most important topic] in this establishment, would you say the [ER-body] had no influence, some influence or a strong influence on the management decision? (No influence, Some influence, Strong influence).
- Q40. You identified other areas in which the management of this establishment recently took major decisions. Would you say the [ER-body] had no influence, some influence or a strong influence on the management decisions in the following areas: The organisation of work processes? (Q40\_A); Recruitment and dismissals? (Q40\_B); Occupational health and safety? (Q40\_C); Training and career development? (Q40\_D); Working time arrangements? (Q40\_E); Restructuring measures? (Q40\_F).

The scores were subsequently transformed to range between zero and 100.

## Employee representation's trust in management

A continuous variable was constructed ranging between zero (minimal trust in management) and 100 (maximal trust in management). The variable was constructed by taking the average score of the answers to the following question: Question 20 – 'Do you agree or disagree with the following statements ...?' (Strongly agree, agree, disagree, strongly disagree):

- The relationship between management and employee representation can best be described as hostile (Q20\_C).

- Management makes sincere efforts to involve the employee representation in the solving of joint problems (Q20\_D; scores reversed).
- Employee representatives in this establishment are treated worse because of their position as employee representatives (Q20\_E).
- Employee representatives in this establishment might lose their job because of their work as employee representatives (Q20\_F).

Also included in the variable was the average score of answers to one part of Question 42: 'Thinking more generally about the involvement of employees and of the [ER-body] in decision making in this establishment, do you agree or disagree with the following statements? (Strongly agree, agree, disagree, strongly disagree). The [ER-body] should be involved more in decision-making in this establishment' (Q42A\_A; scores reversed).

Scores were subsequently transformed to range between zero and 100.

## Management's level of trust in the employee representation

A continuous variable was constructed, ranging between zero (minimal trust in the employee representation) and 100 (maximal trust in the employee representation). The variable was constructed by taking the average score of the answers to the following question: Question 15 – 'I will now read out a few statements describing views on employee representation at the establishment. Please tell me – based on your experiences with the employee representation at this establishment – whether you agree or disagree with them? (Strongly agree, Agree, Disagree, Strongly disagree)':

- The employee representation helps us in a constructive manner to find ways to improve workplace performance (IINIMWPP; scores reversed).
- The involvement of the employee representation often leads to considerable delays in important management decisions (IINDELAY).
- Consulting the employee representation in important changes leads to more commitment of the staff in the implementation of changes (IINIMPEA; scores reversed).
- The employee representation can be trusted (IERTRUS; scores reversed).

The scores were subsequently transformed to range between zero and 100.

## Latent class analysis

In order to group establishments based on common characteristics – such as the bundles of practices they have put in place – latent class analysis was carried out. This is a multivariate statistical technique, which can be applied to a set of observed variables in order to identify categorical latent constructs. It was introduced by Lazarsfeld using a set of binary variables (Lazarsfeld and Henry, 1968) and then extended to polytomous variables by Goodman (Goodman, 1974). This standard latent class model assumes the presence of two types of categorical variables: observed (indicator) variables and unobserved (latent) variables that accounts for the relationships between the observed variables. Latent class models determine classes of cases (establishments) with similar response patterns on the observed variables. In other words, the classification of cases is done in such a way as to ensure that those with similar characteristics on the set of observed variables are assigned to the same classes and – conversely – that those that differ substantially are assigned to different classes. In order to determine how many classes are necessary to correctly describe variation in observed variables, models with increasing number of classes are fitted to the same datasets and then compared in terms of their fit.

In recent years, a number of extensions of the classical latent class model have been developed and different parameterisations have been introduced. These allow for inclusion of a broad range of observed variables (such as ordinal, continuous and counts) and also for the creation of ordinal latent classes, thus allowing for the identification of dimensional constructs along with categorical ones (see, for example, Magidson and Vermunt, 2003).<sup>41</sup> Extensions of the classical latent class model have been applied where the structure of the data required it. Analyses were carried out using Latent GOLD (Vermunt and Magidson, 2005, 2008).

## Access to Eurofound's survey data

Eurofound always makes its survey data available to the general public. One platform for this is Eurofound's data visualisation platform, which allows users to generate graphs and tables based on the data from this survey, as well as Eurofound's other pan-European surveys; visit <http://eurofound.europa.eu/surveys/data-visualisation>

In addition, the raw data collected in the survey will be made available for analysis by researchers through the UK Data Archive; visit <http://www.eurofound.europa.eu/surveys/availability/index.htm> and scroll to 'Datasets'.

<sup>41</sup> Latent class models can be applied in situations where cluster analysis, factor analysis, or item response theory models are not appropriate, since latent class models do not rely on traditional modelling assumptions (such as linear relationship, normal distribution, homogeneity of error variances) that often do not hold in reality. As such, they are less prone to introduce biases caused by data not fitting the model's assumptions. In addition, latent class models allow for the inclusion of various covariates to the models, the effects of which on latent classes can be estimated simultaneously with the identification of the classes. In this way, they can be used to improve classification and provide additional information for better interpretation of identified classes, while reducing the need for follow-up analyses of the relationship between latent classes and various demographic and other variables.







The third wave of Eurofound's European Company Survey was carried out in 2013. It surveyed management representatives in over 24,000 establishments; where available, employee representatives were also interviewed – in 6,800 of these establishments. The survey captured workplace practices in terms of work organisation, human resource management, direct participation and social dialogue. After setting out the findings, this report then examines how these practices relate to each other and to the outcomes for companies and workers. Overall, it finds that establishments that used joint employee-management decision-making on daily tasks, have a moderately structured internal organisation, make a limited investment in human resource management but have extensive practices for direct participation score best both in terms of establishment performance and workplace well-being.



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